THE BUSINESS WEEK

Signs of seasonal acceleration in activity are still slight, excepting only in steel, which is being mildly stimulated by slowly increasing automobile output and scattered demand from other sources . . . . Although our index has risen for two successive weeks, merchandise movement by rail is unseasonably slack, and declining electric power production is a disappointing indication of continued industrial stagnation and diminishing domestic consumption . . . . The widening wave of wage cuts and retrenchment in public expenditure projects is steadily contracting consumer purchasing power in a vicious circle . . . . Security markets are marking time in the absence of evidence of better business and special stimulation by day-to-day doses of favorable news from the foreign front and the railroad field . . . . Except for the striking strength in wheat and cotton, commodity prices are still saggy . . . . Prospects of early improvement in the European picture appear to have gone to pot with postponement of further reparations conferences . . . . Establishment of the Reconstruction Corporation remains the outstanding assurance of stabilization in the domestic situation, despite the fact that its powers of credit expansion have been partly hamstrung by senatorial conservatism and timidity . . . . Hopes of prompt application of aggressive pressure toward expansion through Federal Reserve policies have faded, partly in fear of precipitating further gold exports if the anti-inflation fanaticism of France and the few remaining foreign gold-bugs is aroused . . . . The gold-bugaboo is still the biggest obstacle to business recovery at home and abroad.

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This Business Week:

Washington

In the Reconstruction Finance Corporation, the government mobilizes the Treasury, the Federal Reserve Banks, and the Farm Loan Board—in aggregate, the most powerful financial machine ever created—to drive against depression. It will fight further deflation, press for credit expansion—and should get results, even though hampered somewhat by restrictions Congress insisted upon imposing. *(p. 5)*

The farmers are now more concerned about credit-expansion than surplus control, ask Federal Reserve inflation to aid prices. *(p. 22)*

Other bills for the relief of business and banking are still on—or under—the Congressional fire: the Federal Land Banks are likely to get their increased capital; chances of additional relief for depositors in closed banks are uncertain. *(p. 6)*

European nations are taking out their gold again, partly because they're the original deflationists, but mainly because they need the money. If their withdrawals should become embarrassing, the Treasury has a way to stop them. *(p. 6)*

Marketing

Chain stores, generally, sold more last year than in 1930; dollar volume declined less than prices. Food chains, for instance, fell off only about 4%, although food prices dropped 16%. *(p. 9)*

This year's Nye Bills seek to control price-cutting by stern regulation and a system of trade practice courts which would make it easy for the independents to do their own enforcing. *(p. 8)*

Meanwhile, the chains continue to feature "loss leaders," favor advertised merchandise, according to common sense and the Federal Trade Commission. *(p. 10)*

The mail-order houses, oldest of the bargain makers, newest of the chains, make their semi-annual guess at price trends. They guess low on prices, but refuse to gamble on style. *(p. 11)*

Automobiles

It's a little early to judge, but the new models have aroused a very real interest; sales at the show were better than last year. *(p. 11)* Hupp's new dealer agreement is liberal, follows the Vane model contract. *(p. 11)*

Relief

Publicity is now to play its part in making jobs. The American Legion has the organization and the support, is about to launch a campaign which takes advantage of Reconstruction Corporation stimulation and the spring upturn. *(p. 16)*

Finance

This year, of all years, finds business with a greater total of maturities than usual to be refinanced in a queasy money market. Main hope is the settling effect of the Reconstruction Finance Corporation. *(p. 12)*

Insurance payments to policy holders passed $3 billions for the first time in history; more insurance in force, more claims, policy loans. *(p. 12)*

Federal Reserve inactivity (probably it's saving its strength for the Big Push), sluggish stocks and bonds, marked the money week. *(p. 33)*

Steel—Copper—Oil

With its price structure weakened, steel is leaning more on cost cutting, new products and new markets. *(p. 17)* Europe's steel cartel still has hopes of enforcing production quotas. *(p. 23)* Consolidated Oil, Sinclair-Prairie child, is a lusty contender for third place in the industry. *(p. 22)*

Railroads

Management wants wage reduction, labor is willing to swap it for job security; the Chicago conference will probably compromise. Meanwhile, railway employment reaches its lowest level in 30 years. *(p. 13)*

Now come "sea trains," from New York to Havana, ocean ferries which swallow a hundred-car train entire, saving labor, breakage and pilferage, expense. *(p. 14)*

Management

Manufacturers, railroads, utilities are turning employee-cooperation into active employee-salesmanship, with every worker out for business, conscious that orders are jobs. *(p. 20)*

Figures

Statistics will not for some weeks reveal any effects of the reconstruction moves; business marks time. *(p. 31)*

Foreign

Abandonment of the Lausanne conference ends the last pretense of international accord on debts and reparations. What will follow this refusal of Europe (and America) to face the facts is beyond prediction. *(p. 7)*

Japan is paying dearly for those Manchurian victories; the stubborn Chinese boycott has tied up half her shipping, cost her half her China trade. *(p. 24)*

And Britain is trying to reconcile "empire preference" with Argentine markets. *(p. 26)*

Europe generally is shocked by the Lausanne blow-up, worried by America's inflation policy; Latin America continues dull; business everywhere waits on politics. *(Survey, p. 27)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending January 23, 1932

First Reconstruction Job Is Release of Lending Power

Basic strategy of offensive against depression consists of helping the banks help business

IN the Reconstruction Finance Corporation the United States has launched against the depression the most powerful offensive force that governmental and business imagination has, so far, been able to command. It goes into action behind a heavy barrage of publicity and comment, under the leadership of men who have both what the public calls "color" and business believes is capacity.

Its job will be to help business by expanding credit, making it easier to borrow, and checking bank failures. It will furnish funds directly to the harassed railroads and the needy farmers, indirectly to the slumping export industries; all other kinds of business must get its help through the banks. These, enabled to obtain funds freely from the Corporation, will be able to lend freely. Freed from pressure, the banks will not have to sell bonds, and the securities market should improve so that business can do its financing there. That is the basic strategy of this offensive of 1932.

How They'll Get Loans

Railroads will obtain loans on certification of the Interstate Commerce Commission, agriculture under the partial supervision of the Secretary of Agriculture, export industries by the financing of their shipments through Corporation acceptance of drafts and bills of exchange, banks by borrowing on any of their assets on which the Corporation will lend—by inference, on any assets.

On how banks liberalize their lending policies in view of the backing thus provided will depend the ability of other businesses to get the funds which the offensive has been set up to free for them. The Corporation stands ready to take over any loans the banks may desire to make. Depending on the interest rate which the Corporation charges, they may even be able to draw a profit on loans which, in reality, they merely approve and pass on to their backer. So they are not expected to put any impediments in the way of the great experiment.

The Corporation is to have $500 millions from the Treasury. To obtain this sum the Treasury must sell its own obligations, so considerable Treasury borrowing is expected shortly. For funds above that $500 millions, the Corporation may sell up to $1.5 billions of its own obligations. Its potential lending power is thus $2 billions.

Since Treasury securities are discountable at the Federal Reserve Banks, banks that need funds may take those that the Treasury sells to raise the $500 millions direct to Reserve banks and obtain cash for them. Securities of the Reconstruction Finance Corporation cannot be loaned upon or bought by the Federal Reserve Banks. However, the Treasury can purchase the Corporation's obligations—though it can raise the necessary funds only by selling its own securities, for the purchase of which the banks can be reimbursed. The Reserve system therefore stands behind the Corporation to the full $2 billions.

In actual operation the Corporation will use 2 distinct methods to bring help to the banks. Those which need actual cash will get it from the proceeds of the sale of Treasury obligations to the public, the banks, or the Federal Reserve. Those which merely want to strengthen their position in order to lend can be helped by a mere interchange of pieces of paper. They can substitute either government bonds or Reconstruction Finance bonds for unmarketable assets. These can finally be substituted for cash from the Reserve.

Treasury Policy Important

Treasury policy will play an extremely important part in the functioning of the Corporation. The Treasury is not obligated to buy the issues of Reconstruction Finance Corporation securities. It is simply given permission to do so. Since it holds a high place on the Corporation's management, it is practically certain to buy whenever the Corporation needs money.

Money will be made to work harder to the extent that the Treasury mobilizes it through borrowing and subsequently puts it to work. Credit and money in circulation will be increased by exactly the amount the Federal Reserve is forced to advance. The prospects of a more rapid use of money and an increase in its volume constitute the basis of talk about the inflationary result.

Two Views of Job

Two distinct views prevail as to the results which the Corporation will achieve and how it will achieve them. Some of its proponents in Washington view the Corporation's importance as mostly psychological—just as they did that of the National Credit Corporation. They predict that confidence will now be so greatly improved that the Corporation will not need to use any appreciable amount of its funds.

In part this is "window dressing," in part it is an actual conviction. But a weighing of the evidence seems to indicate that the Corporation will be called upon to use a considerable part of its funds. A number of loans are

What Congress Did

The Senate:

Adopted a resolution expressing sense of Senate as favoring reduction in budget estimates, but discarded Harrison (Miss.) proposal to cut $300,000,000 from total.

Authorized Secretary of War to exchange obsolete surplus, deteriorated or unserviceable supplies or equipment for new.

The House:

Passed bill authorizing creation of Reconstruction Finance Corporation.

Adopted a resolution to investigate public utility holding companies.

reported to have been made even before it started, with an agreement that the banks making them would be reimbursed by the Corporation.

The set-up of the Corporation's directorate establishes a powerful financial oligarchy in Washington. The Federal Reserve, the Federal Farm Loan system, the Treasury, and the Reconstruction Corporation are tied together and the government and country tied to them. The group is unusually free from direct Wall Street participation.

In coming to the direct aid of the banks through the Reconstruction Finance Corporation our government is only doing now what other major nations had to do some time ago.

Other Relief Bills Are on the Way

OTHER bills designed to aid business and banking are in various stages of progress on their way through Congress. Increased capital for the Federal Land Banks is practically assured, but the measures to help real estate and depositors in closed banks (aside from what has been done in the Reconstruction Finance measure) and to provide unemployment relief are not far along.

After the House and Senate had passed discrepant bills, the conference committee agreed upon $125 millions more for the Federal Land Banks, all to come from the Treasury. Of this amount, $100 millions is to increase capital and therefore enlarge the lending ability of the banks. This directly encourages more borrowing, and a shift of borrowing from other mortgage lenders to the Land Banks.

May Carry Dynamite

The other $25 millions are specifically set aside to be used to permit delay in interest and principal payments on mortgage obligations. This provision contains real dynamite. The Land Banks have the discretion as to whom they will grant delays to on payment of instalments due. But it will be hard to differentiate. And the invitation to delay payments amounts practically to a moratorium. If this privilege is given to borrowers from the Land Banks, other mortgage borrowers are sure to ask for it. Finally, the use of the moratorium provision can very easily cause much trouble in the future, not alone for the Land Banks but for other mortgage-lending institutions.

The separate proposal to relieve depositors of closed banks rests in the House Banking and Currency Committee, but may come out soon after the Reconstruction measure is cleaned up, if Congress feels further steps should be taken. The proposal would provide $150 millions, of which $50 millions would come from surplus funds of the Federal Reserve and $100 millions from the Treasury. The bill has encountered opposition on the score that Congress cannot appropriate funds of the Reserve system.

House and Senate committees are at work on bills which would create a Federal Home Loan Bank system as proposed by President Hoover. Both powerful support and opposition have been encountered.

A Senate committee has now approved a proposal to allot $375 millions of relief loans to the states on the basis of population and needs. Amendments to the Reconstruction Finance Bill to permit loans to cities and to states were defeated.

Underwood & Underwood

EUGENE MEYER—*He'll be the chairman of the country's business-saving business*

Europe Fears Inflation; Also, She Needs the Cash

PARIS (*Radio*)—Europeans are again withdrawing their money from the United States. Probably the most important reason is fear of inflation there through the Reconstruction Finance Corporation and the reported new Federal Reserve policy. Uncertainty has been increased in France by misunderstanding of a speech by Senator Reed of Pennsylvania which some took as a threat that America would commandeer French balances if war debt payments ceased. But also of considerable importance is the need for the money at home, especially in the case of France.

On the basis of these facts bear speculators have shifted their attacks from the Dutch guilder to the dollar. The dollar has been weak in Paris for some time, has declined in London; francs and pounds have been strong in New York.

France has special reasons. She intends to run no danger of such losses in dollars as she had to take in sterling when Britain stopped paying gold. Also, increased hoarding puts a premium on American gold coins, about the only free supply of such coins left. Finally, the Bank of France is reducing its foreign balances to increase its own circulation in anticipation of budgetary increases due to the lack of German payments and the likelihood of expenditures for reconstruction proportionately greater than those of the United States. Should the radicals win the spring elections large doles to the unemployed will create additional needs.

Expert predictions vary, but it is generally believed the United States will lose from $100 millions to $150 millions of gold in coming weeks. If so, the Bank of France is then expected to reduce its discount rate by ½%. It doesn't want the flow to go far enough to drive the dollar off gold, and thus hit its remaining dollar balances for a loss. At most, it is not expected that more than one-fourth of the American balances will be withdrawn.

—

Foreign alarm over domestic financial activities great enough to cause large gold losses would prove disconcerting to our reconstruction program. Such losses directly reduce bank deposits and gold supply, tend to create domestic uneasiness. Conceivably they could go far enough to cause serious trouble.

Aggressiveness on the part of the Reserve system or any other agency must, therefore, be tempered by recognition of the fact that foreigners are concerned about their funds here and that inflation—which means depreciation of the purchasing power of the

monetary unit—would stir them to heavy withdrawals.

However, if these became too disturbing, the Treasury has one powerful club that it can hold over our cautious friends abroad. A little-discussed provision of the debt agreement with France permits the Secretary of the Treasury to demand that the French replace their present unmarketable obligations covering their war debt (about $4 billions) by bonds which would be saleable in any market. By threatening to obtain such bonds and sell them in whatever country was withdrawing gold the Treasury could easily remedy any weakness in dollars, halt withdrawals.

Such a step would be taken only in the most grave emergency, however. If the French withdraw no more than is their present intention—and withdrawals of other nations are equally moderate—no serious consequences will result.

The withdrawal of $125 millions of French gold held under earmark in New York, which began this week, has no significance directly. This gold was already French property and removal has no effect on the American monetary system. It may mean that the French fear an American gold embargo; more likely that the gold is needed in France.

Realities That World Has Dodged Are Still Waiting at Lausanne

But the danger lies in the fact that Germany's may be too pressing to be postponed

Keystone

GENERAL DAWES—*He is vigorous, popular; his appointment as active head of Reconstruction Finance Corporation is President Hoover's shrewdest stroke*

WHETHER nobility or necessity lifted Congress above politics long enough to legislate immediate relief measures, Europe's parliaments—at least that wary body which assembles at Paris—have felt no similar urge.

The long-awaited Lausanne conference is postponed in a spasm of French politics, British polity, German determination, and American frigidity.

Says London: "Conversations which have been taking place between the governments chiefly concerned are not yet concluded, and it is evident the conference must be delayed. It is hoped that it may be possible to come to a satisfactory agreement regarding the procedure to be adopted in the course of a few days."

Says Paris: "The French government asks only what is moderate and reasonable. As long as America refuses to revise debts, France cannot permit revision of the Young Plan . . . Germany should not come out of the reparations settlement with a public debt manifestly inferior to those of her creditors and with production costs below theirs."

Berlin for Showdown

Says Berlin: "The German government refuses to accept the British-French proposal for a year's extension of the reparations moratorium, and will insist that a definite adjustment of reparations be undertaken by the creditor nations before July 1."

Says Washington: "There is no connection between war debts and reparations. The European powers must take the initiative on reparations. A demand for a new debts moratorium could not obtain approval in Congress, and the Senate opposes a cancellation or reduction of the debts. The United States would look with displeasure on the formation of a united front by the debtor nations. The existing debt arrangements, having been concluded separately, can be eventually revised only by separate accords."

Only visible way out was to await the spring French elections and hope for a government more amenable to aiding the Reich; reassembly of the Reichstag in February and hope that Bruening could muster majority support; Germany's spring elections and hope that Hitler would not sweep the country; the American presidential elections in November and hope for an administration stand more favorable to debt adjustment.

Barriers in the Way

Present developments indicate barriers in the way to any such postponement.

When President Hoover launched his reparations–war debts moratorium last summer, it was to last for 1 year—to July 1, 1932. Within that time, the whole problem was to be studied, new provision made to handle the situation.

Then the short-term commercial loans which a half-dozen countries, headed by the United States, had made to Germany began to come due and the rush of frightened foreign bankers to "clear out" threatened to drain Germany to the point of jeopardizing its currency.

A committee of these international bankers headed by Albert Wiggin of New York, met at Basle, surveyed Germany's "capacity to pay," agreed to freeze these credits for 6 months. This became famous as the Wiggin Report (of Germany's inability to meet reparations and debt demands) and the agreement as the "standstill" plan for commercial debts. That was in August.

In December, at Basle, a committee, acting under the provision of the Young Plan, resurveyed Germany's capacity to pay under the Plan, arrived at virtually the same conclusions. At the specific re-

quest of France, they went no further than the survey.

At the same time in Berlin, Mr. Wiggin and his committee of international commercial bankers were trying to plan their next move on the commercial debts. The standstill agreement ends Feb. 29.

Until a few months ago there was every indication that Europe would get together in an important way at Lausanne. Ramsay MacDonald at one time had a vision of making the meeting one to consider a dozen major economic problems.

Germany's Predicament

What will happen next can only be guessed. The situation in Germany is serious. The boldness in Bruening's statement is a bluff. He is playing on the recent report of the Basle experts confirming Germany's inability to pay. If he succeeds he will probably remain in control in Berlin. If he fails, he probably will be unable to muster a majority in the Reichstag in February. Even if he does, there is the threat of a Hitler landslide in the Prussian Diet elections late in May.

France will soon know the results of domestic elections but the prospects of a more moderate government are few. The French point out that, while the Basle committee recommended that immediate action be taken, they specifically did not recommend that Germany be completely relieved of all reparations. But the French fail to admit their demand that the Basle recommendations go no further. French "occupation of the Saare in an extremity" has until now been scouted.

Tables Turned

The tables are pretty much reversed from the time last summer when President Hoover made the first move for a moratorium. Now Washington is virtually faced with the responsibility of prolonging it. Washington refuses.

When, or whether, the Lausanne conference ever meets, it still faces these stern realities: (1) Germany has been judged incapable of paying reparations; has refused to pay and faces radical political upheaval if an attempt is made to postpone the issue; (2) debts, as well, are relegated to oblivion; this issue will need formally to be placed before the post-election administration at Washington for approval. But if refused, our European debtors can play for more time by calling forth the postponable clauses in their agreements with the United States; (3) France will remain the stumbling block until the issues are united and settled together.

Move to Change the Rules Of Competition Gains Recruits

FAR-REACHING changes in the rules of competition are contemplated in 3 bills, recently introduced by Senator Nye (Republican) of North Dakota as a follow-up to last year's somewhat similar effort embodied in a single bill (*BW—Jan21'31*) which died in committee.

One bill to amend the Federal Trade Commission Act proposes to legalize agreements reached by competitors at trade practice conferences under the guidance and with the consent of the Federal Trade Commission. Proponents count on it to eliminate much of the doubt and uncertainty now surrounding such agreements, to prevent disturbances caused by arbitrary cancellation of such agreements without advance notice on the ground of illegality (*BW—Jun17; Aug19; Sep2'31*).

The other 2, presumably designed to amend the Sherman and Clayton Anti-Trust Acts, are actually intended to give smaller manufacturers and independent merchants greater protection, easier access to processes of law against unfair competitors.

By banning the sale of goods at less than cost they would outlaw one of the most effective sales-builders used by the chain and department stores—the "loss leader." Distress merchandise, goods sold in seasonal clearances, and sales of obsolescent items would be excepted from the ban. Price discrimination on equal purchases would be subject to injunction.

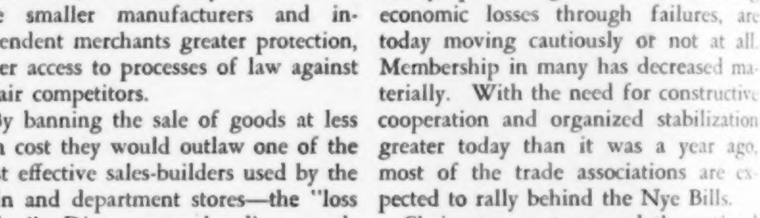
To eliminate long and costly court procedures, make it easier for small business men to get a hearing, Senator Nye proposes to create a central Federal Trade Court, with branches in each of the country's 10 judicial districts, where suits can be heard speedily and at low cost to the litigants.

While Senator Nye's former effort in this direction received comparatively little support, developments in 1931 have materially crystallized sentiment in favor of some sort of relief from the dangerous uncertainties surrounding the status of the Federal Trade Commission and interpretation of the antitrust laws in light of present conditions.

Support Expected

Trade associations which, under accepted trade practice agreements, had made definite progress in stabilizing industry, preventing chaos and resulting economic losses through failures, are today moving cautiously or not at all. Membership in many has decreased materially. With the need for constructive cooperation and organized stabilization greater today than it was a year ago, most of the trade associations are expected to rally behind the Nye Bills.

Chain store systems and the national organizations of dry goods and department stores are expected to muster vigorous opposition.



FAILURES—*Although totals for the year just past hit a new high, the rate of increase established in 1930 fell off. Figures from R. G. Dun & Co.*

Wide World

ROAD BEETLES—*These new rear-engined cars, demonstrated in Central Park, N. Y., by James V. Martin, the airplane designer, have wheels without axles, and rubber springs. Streamlining helps to get high speeds and extraordinary gasoline mileage with a small engine*

Allowance for Price Handicap Shows Chains Have Gone Ahead

Check-up on all units, dropping of weak ones has helped them in boosting tonnage records

COMPILATION of available reports on 1931 sales of important, nationally operating chain store systems, supports the general contention that 1931's retail business exceeded that of 1930 in unit or tonnage volume in practically all lines, though lower retail prices caused reductions in dollar totals.

The 13 grocery chains, including The Great Atlantic & Pacific Tea Co., Kroger Grocery & Baking Co., Safeway-MacMarr, American Stores, and First National Stores report a 1931 total of $1,981 millions in sales, 4.35% under 1930, declines of individual chains ranging from 2.2% to 11.5%, while 2 of the smallest chains in the group—Dominion Stores and H. C. Bohack—show increases of 4.4% and 8.1% respectively, partially accounted for by increases in the number of units operated. The Department of Labor records a $16\frac{2}{3}$% drop in food prices during 1931—bigger than any of these chain declines.

Significant is the fact that practically all chains in this group reduced the number of stores during 1931, Kroger eliminating 275, Safeway-MacMarr 303, National Tea 58. While A. & P. has not recently reported its number of units, it is known to have concentrated much effort on making each existing unit more profitable.

Jewel Tea Co., operating wagon sales routes in various territories, appears to have encountered difficulties in maintaining sales volume by that method. With 66 more routes operated during 1931, or 5.30% more selling units (1,334 as of Jan. 1, 1932) sales dropped 11.50% under 1930.

Those familiar with chain operations in the food field maintain that food chains have gained materially in popularity despite the current agitation against them. Food chains keeping tonnage records report increases of up to $14\frac{1}{2}$% in tonnage moved.

Declining prices have had favorable effect on 5¢-$1 variety chains, brought many new necessities and specialties within their price-range, thus widening their sales opportunity. Result: the group of 10 most important national chains, operating 4,589 units, shows a fractional increase, with sales for one chain going to 9.6% above 1930 levels.

The larger companies in this group have given much attention to improving performance of individual stores, opened comparatively few new locations. The smaller groups have maintained dollar volume chiefly because they have launched new units during the year.

Apparel and department store chains show some slight reductions in the number of units operated and decreases in dollar volume ranging from 1.7% to 13.1%. The Lerner chain of women's apparel shops reports the only increase in this group, 3.1%—without change in number of stores operated.

Bought More Shoes

Lower prices have brought reductions in the shoe chains' dollar volume although a very decided upswing in public buying of shoes, particularly during the first half of 1931, increased unit sales so substantially that performance for the year approached 1930 dollar totals.

Two drug chains, Walgreen and Peoples, besides reporting material increases in units sold, showed 1931 increases in dollar volume over 4%.

Not all chain store systems escaped serious difficulties during a year which produced record-breaking failures in most other lines. Several chains went into bankruptcy, some were liquidated, others broken up.

Final adjustments indicate that receivers for the Schulte-United, Inc., chain of apparel stores, the Schulte-United 5¢ to $1 stores and Millers, Inc., will permit a new group to take hold. The several department stores of the City Stores Co. may eventually be returned to the former separate owners.

Separating the Links

Fashion Park Associates, which up to recently maintained 39 wholly owned or controlled retail men's wear shops, has just re-sold 5 of its Middle Western units to the former owners, claiming that under prevailing conditions those units can be operated more efficiently under individual ownership. The Florsheim Shoe Co.—at last reports maintaining 73 retail stores and departments—has, for the first time, set up special reserves to offset anticipated losses.

In countries where chain store selling has not reached large proportions, chain organizations have shown very satisfactory results, despite the generally lower price levels. Dominion Stores in Canada increased number of units from 526 to 572, pushed dollar volume 4.4% higher during 1931. Thrift Stores, Ltd., of Montreal added 14

stores during the year 1931, increased sales 28.8% to November, claims to have earned a full year's dividend requirements during the first half of the fiscal year. F. W. Woolworth Co., Ltd., British affiliate of the American company, increased net earnings £527,195, paid 40% dividends during 1931.

Report on "Loss Leaders" Shows More Chains Using This Bait

INDEPENDENT merchants who have been shooting at the "loss leaders" set up by chain stores to draw buyers within selling range of merchandise that carries a real profit get a close-up of their targets in the Federal Trade Commission's fifth report on its Senate-ordered investigation of the chains. What they find may help them to turn the legislative big guns on the same objective. Ambitions of that kind have not been dampened by the fact that legislative fire on the chains has, so far, done little execution.

The report reveals that chains' practice of baiting sales with selected articles sold below net invoice cost is on the increase. Systems operating 16.8% of all chain stores covered followed it in 1928 against those operating 14.8% of the chain outlets reporting in 1922. And, whereas 15 of the 26 kinds of chains were using loss leaders in the first year, 19 kinds were doing it in the second, and 8 of the earlier 15 were doing more of it.

The 174 chains that admitted sale of loss leaders in 1928 boasted sales of over $1,147 millions for that year, represented 31% of the total net sales, 16.8% of the number of stores, 11.9% of the number of chains reporting.

Big and little chains were in the game in 1928. Of the 174, 46.5% operated 2 to 5 stores each (totaling only 3.4% of all stores involved), but 4 chains accounted for 44.8% of all the stores.

Advertised brands make the best loss leaders. Only 18 out of 364 chains, (less than 5%) and only 8 of the 26 kinds of chains reported that they occasionally sold private brand goods at less than actual net purchase cost.

The commission report, which also covers leaders sold at less than total cost and at less than replacement cost, furnishes definite information on the chains' use of nationally advertised brands as leaders.

Grocery chains sold Palmolive soap 23.1% below replacement cost, Star lard 17.4% below, Maxwell House coffee 13.3%, Jell-O 16.7%, Shredded Wheat 16.7%, Campbell's tomato soup 12%, Gold Medal flour 8%.

In the drug field Palmolive soap was cut 16.7% to 31.4% below replacement cost, Ipana toothpaste 26.7% below, Listerine 4.5% to 15.6%, Bayer's aspirin 2.8% to 16.7%, Gillette blades 3.4% to 13.8%.

Cut 10% Below

Of 39 items specifically used as loss leaders only 7 were offered at less than 10% below replacement cost. Palmolive soap was sold 20% to 24.2% below, Ivory soap 23.1% to 28.6%, Procter & Gamble's P & G soap 4.9% to 35.1%, Lifebuoy soap 39.5%, Campbell's soup 16.7%, Cannon towels 20%.

The importance of variety chains as outlets for seemingly unrelated products finds a partial explanation in what the report shows as to their apparent willingness to sustain record-breaking losses on advertised commodities that are ordinarily sold in other retail stores.

International News

15,000 JOB HUNTERS—*The line-up outside the old Studebaker plant when the Rockne went into production. Detroit is in much better shape; the winter model change, with the necessity of stocking the dealers, has concentrated production in the dangerous winter months where it will do the most good to relieve unemployment and suffering*

Mail-Order Houses Cut Prices In Catalogues, Waste in Stores

Changes in programs include shift away from "remote-control" merchandising of style goods

THINKING merchandisers of consumer goods know that it's wise to watch how the mail order houses guess on price trends, buying changes, current profit sources. They are noting with interest that these big mass distributors are announcing further drastic price reductions in the new 1932 spring and summer catalogues, stressing the economy of mail order merchandising, but struggling to squeeze added sales and profit out of other than mail order operations.

Sears, Roebuck & Co.'s new general catalogue shows price cuts of from 11% to 47% from quotations in the 1931 book. Among major lines, wearing apparel has been slashed 16% to 47%; dry goods, 20% to 35%; home furnishings, 12% to 46%; paints, roofing, wall paper, etc., 11% to 20%; hardware and farm implements, 14% to 47%.

Sears' 1931 business, greater in units sold, shows the effect of consistent price reductions (*BW—Jun10'31; Jul 29'31*) in lower dollar volume, sales for 1931 totaling $347 millions or $43 millions (11.1%) below the 1930 figure, $93 millions under 1929 peak.

Drop Unprofitable Locations

The company's 350-unit chain remains practically intact in total number but unprofitable stores are being eliminated and new ones established in more promising locations. Retail store operations are accounting for a growing percentage of total sales volume.

While expanding its home construction business, its various manufacturing operations, and its activities in automobile insurance, the company has recently entered the agricultural machinery field.

Through its wholly owned implement-making subsidiary, D. Bradley Mfg. Works, Sears is offering the Bradley power tractor for $695 against over $800 for the lowest-priced comparable competitive unit. While Sears' substantial advantage in list price is considered to be partially offset by its elimination of trade-ins, its decision to meet competitor's terms of ⅓ down, and ⅓ after each of 2 succeeding years' crops are harvested, is expected to bring it a good slice of first-time business in this field.

Montgomery Ward & Co. price reductions in the current 1932 catalogue range from 16% to 66% under those quoted a year ago, with nearly 40,000 items directly affected.

Ward's 1931 sales show a drastic decline of 19.4% in dollar volume, were $52 millions under 1930 and $72 millions under 1929, despite the fact that retail store operation is contributing increasing percentage.

Offer Charge Accounts

The performance of the company's 550-unit chain has been systematically studied during the last year, numerous locations abandoned and new territory invaded. In some of Ward's retail stores credit is now being extended to some selected customers.

Both Sears and Ward have apparently found remote-control merchandising of style goods a source of loss rather than profit, and curtailing the sale of certain style lines. Sears now plans to handle ready-to-wear goods in only 2 of its 10 warehouses—at Los Angeles and Seattle—shipments to other catalogue customers to be serviced from a New York production unit. Ward is reported ready to lease out apparel shops in several of its larger stores.

The difficulty of carrying on a profitable long-distance buying and selling of style merchandise has been reflected in the records of National Bellas Hess Co., third largest mail order house, specializing in apparel, other style goods.

With its 1931 sales only 9.9% under 1930, the company has operated at a substantial loss since 1929, found mail order selling unprofitable at prevailing price levels, and the operation of its chain of 50 retail stores acquired in 1929 productive of continuous losses due to excessive overhead, obsolete stocks, inability to standardize style and merchandising practices.

Automobile Show Sales Indicate Unusual Interest

AUTOMOTIVE men are greatly encouraged by the interest aroused by the New York show. Attendance was 35% more than last year; sales were better than average; prospect lists were enlarged and rejuvenated.

Reports from other cities, where new models were displayed concurrently with the New York show, are equally good, have caused many production programs to be expanded far beyond the conservative totals set until public reactions to new designs could be measured.

Sales of Hudson and Essex cars the first day of the New York show exceeded total sales for the entire week last year.

Packard's Record

Packard sales established a new record for show business, based primarily on its new low-priced 8 but including substantial sales of its twin-6 model. For the first 5 days, sales of Auburn were 81% above those during the same time last year, an exceptionally encouraging record when the tremendous popularity of the 1931 Auburn is remembered.

Pontiac show sales by Tuesday were ahead of last year. Hupp sales were running better than 1931. Dodge cars met with an enthusiastic reception which has led to an increase in January production schedules. Willys Overland sales were above 1931. Dealer orders received at the Studebaker factory in January are running 30% higher than in December, which was the best December for Studebaker in 5 years.

Hupp Tests a Contract Built on Dealers' Model

THE fight of C. A. Vane, general manager of National Automobile Dealers Association, for better treatment of dealers by manufacturers, has won its first notable victory. Hupp Motor Car Corp.'s new dealer contract follows, with 2 exceptions, the principles of the model contract developed by Vane (*BW—Nov18'31*).

The exceptions are that the contract is cancellable on 30 days' notice instead of 6 months', and that time-payment sales contracts are not to be taken over by the factory upon cancellation.

Under the Hupp contract: (1) Dealer authorization is required for shipment of cars; (2) price cuts apply to cars in dealer stock; (3) surplus new parts, less than 12 months old, are returnable for credit; (4) upon cancellation of contract, current model cars and new parts are repurchased at net cost by the factory; (5) there are no fleet discounts; (6) the contract runs for 5 years; (7) each dealer gets exclusive territory; (8) the factory replaces defective parts, crediting the dealer with

half the flat rate cost of installing new ones; (9) the dealer is allowed a reasonable profit on handling charges.

This contract is such a drastic revision of those which have been used by the industry since its inception that its operation will be closely watched to see if it attracts dealers, is fair to both parties, and furnishes the answer to the serious merchandising problems which have harassed the industry for many years.

When Package Changes, Machine Does, Too

UNDER the pressure of a struggle for sales that puts a premium on new ideas that may entice a dollar away from a tight-fisted buyer or keep it away from a hard-working competitor, change has become the essence of modern packaging.

To enable makers of packaged goods to keep up with the merchandising procession without paying the penalty in junked equipment, Package Machinery Corp. of Springfield, Mass., has developed an adjustable carton-wrapping machine which permits quick changes at low cost in style of wrapping, kind of wrapping material, size and shape of cartons.

Various parts of the machine are assembled as separate units and can readily be replaced to provide any new wrapping results desired. The machine can be equipped for transparent cellulose, waxed paper, printed papers or glassine. End seals are optional and the "tight seal" wrap for cellulose is available.

The new machine is past the experimental stage, several being used by General Foods Corp. and Loose Wiles Biscuit Co.

Business Must Lug Unusual Load Of Maturities to Market in '32

BUSINESSES with obligations maturing this year, many of which must be refinanced, are watching the unfriendly money markets with extreme interest and considerable concern. While the outlook is gloomy enough, it is somewhat brightened by the Reconstruction Finance Corporation and other government proposals. Even though present plans call for direct relief for only the railroads among the corporate groups, they may bring about an improvement in borrowing possibilities and that will be even more satisfactory than borrowing from government sources directly. But there is a dark cloud on the horizon in the danger that government demands will absorb all the borrowable funds.

Utilities Important

How big a problem is raised by this year's maturing obligations can be seen from figures compiled by *The Wall Street Journal*, showing that they total $1,058 millions, highest point in several years, due to a huge increase in the utility total. The compilations list 445 different companies and include an uncounted number of others in a miscellaneous total.

The public utility companies are most concerned with their $507 millions of maturities for more than 135 companies, more than double last year's $253 millions or 1930's $225 millions. Some of the larger maturities include those of: Edison Electric Illuminating of Boston, $40 millions; Toledo Light and Power, $35 millions; Interborough Rapid Transit, $32.2 millions; New England Power Association, $20 millions.

The group including industrial, real estate and finance companies—210 of them—faces a call for $280 millions, well below last year's $347 millions and 1930's $338 millions. Most of the maturities are comparatively small. Among the larger ones are: Fox Metro Playhouses, $12.5 millions; Humble Oil & Refining, $22.8 millions; the German Deutsche Bank, $25 millions.

Rail Maturities Low

Railroad companies, with a generally low credit status, are fortunate to have a considerably smaller volume of maturities than usual, this year—$269 millions against $364 millions for 1931 and $447 millions for 1930. But more than 100 companies are concerned. However, more than half of the total maturities are equipment trust certificates, which are usually freely extended. The largest maturity in the group is B.&O.'s $35 millions with $20 millions each for Nickel Plate and St. Louis Western coming next.

The generally held hope is that the money market will so improve that refinancing will be possible. Otherwise the companies must default, procure extensions on their obligations, raise the money in some other manner, get help from the government, or plumb the depths of receivership.

Insurance Payments Heavy; Policy Surrenders, Too

DESPITE troublous business and financial times, insurance companies paid out more money to policyholders in 1931 than in any preceding year. This was a direct result of the steady increase in insurance in force. The 1931 payments were 12% above 1930, according to B. D. Flynn, actuary for the Travelers companies. Total paid was about $3,250 millions, above $3 billions for the first time in history.

About $2.5 billions of the payments were under life, accident, health, liability, and workmen's compensation insurance policies. The remaining $750 millions were payments for losses involving property—mostly from fire.

Largest payment in the first group was about $1,081 millions due to claims, mostly deaths. But next in size was $838 millions paid to those surrendering their policies. A considerable part of course had already gone out as policy loans. The amount indicates the problem companies face in lapsed policies. Other items included $124 millions paid for matured endowment policies, $127 millions for accidents and illness, $143 millions for automobile liability, and $144 millions for other liability.

Rubber-Tired Rail Car Soon to Be Tested Here

RAILROADS are awaiting with interest the outcome of tests with a rubber-tired railway passenger car, developed by Michelin in France and now being built in this country under contract by the Edward G. Budd Manufacturing Co. at its Philadelphia plant.

The chief advantage claimed for the rubber-tired rail bus over the standard rail passenger car is its lightness, excessive weight often being an important factor in making passenger business unprofitable. The average Pullman parlor car weighs 5,000 lbs., this one 325 lbs. per passenger. First cost, operating economies, and riding ease and quiet are stressed among its advantages.

The new car will be self-powered, entirely of stainless steel, with a seating capacity for 40 persons and with a maximum speed of more than a mile a minute.

Railroads and Labor Will Probably Strike a Bargain

Signs point to agreement on 10% wage cut in return for some promise of employment stabilization

THE railway presidents call it a "wage reduction conference." The labor executives insist that it is an "employment stabilization conference." By whatever name, the Chicago negotiations for a 10% cut in rail wages will probably lead to some sort of agreement, though many words will be spoken first. Evidence that labor will not be adamant is increasing, with new offers to take an immediate slash coming from employees on the Delaware, Lackawanna & Western and other railroads.

The conference was a day and a half late in starting. Some railroads, remembering that they had served notice under the Railway Labor Act of their intention to reduce wages 15%, wondered whether the Chicago negotiations might not also be subject to that act's intricate procedure in case they failed. Finally, both sides decided to leave the question open, reserving all rights.

Labor has put forth practically the same clear-cut plan as it submitted to railroad executives last November (*BW—Dec2'31*). Chief demand is that the managements guarantee a fixed working force during the period of wage reduction, with a minimum no less than in 1930. On this point, it wants a definite commitment from the railroad presidents.

The latter say they cannot make any such pledge at this time, so some kind of a compromise may have to be struck. They have also told the union representatives that they cannot accept the proposal of a 6-hour day. Despite denials that they will yield in this, the labor people probably had little hope of seeing the measure put through.

The only agreement reached at the conference so far has been on a comparatively minor point—establishment of employment bureaus.

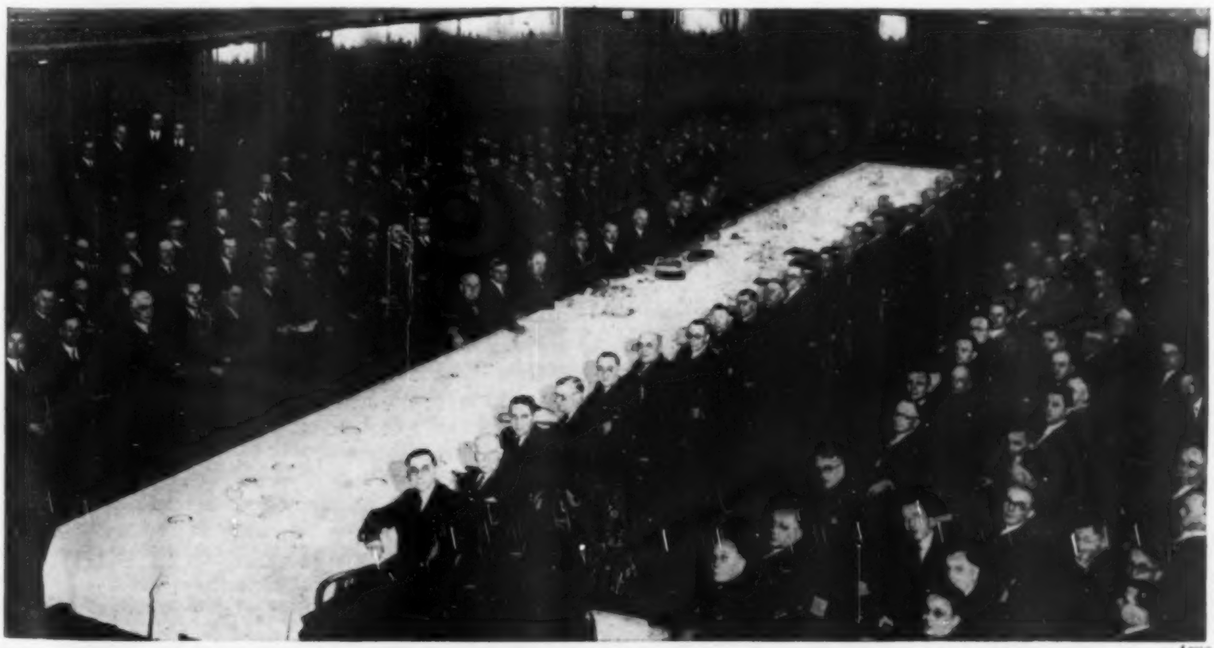
In the meantime, railroad employment has dropped to the lowest point in 30 years. A sharp reduction of 56,000 men from October to November followed a gradual decrease of approximately 20,000 a month earlier, bringing the total down to 1,169,000—a drop of 12% since May, highest month in 1931, 16% from November, 1930, and 42% from the all-time peak in 1920.

More cheerful to the railroads than the slow progress of the wage conference was the proposal made this week before the House Committee on Interstate Commerce by Commissioner Joseph B. Eastman, urging a retroactive repeal of the recapture section of the Interstate Commerce Act, under which railroads owe the government over $300 millions in excess earnings. Declaring that the bill for future recapture was of not much present importance, the I.C.C. member said that very few, if any, roads had enough money on hand to meet the recapture amounts now in litigation. In his opinion, "there are better uses to which the slender railroad credit, so far as it is available, can be put than to raise cash to pay the government excess income of the past which, in most cases, is more than balanced by the deficiencies of the present."

Penn Wants to Ferry Its Cars to Milwaukee

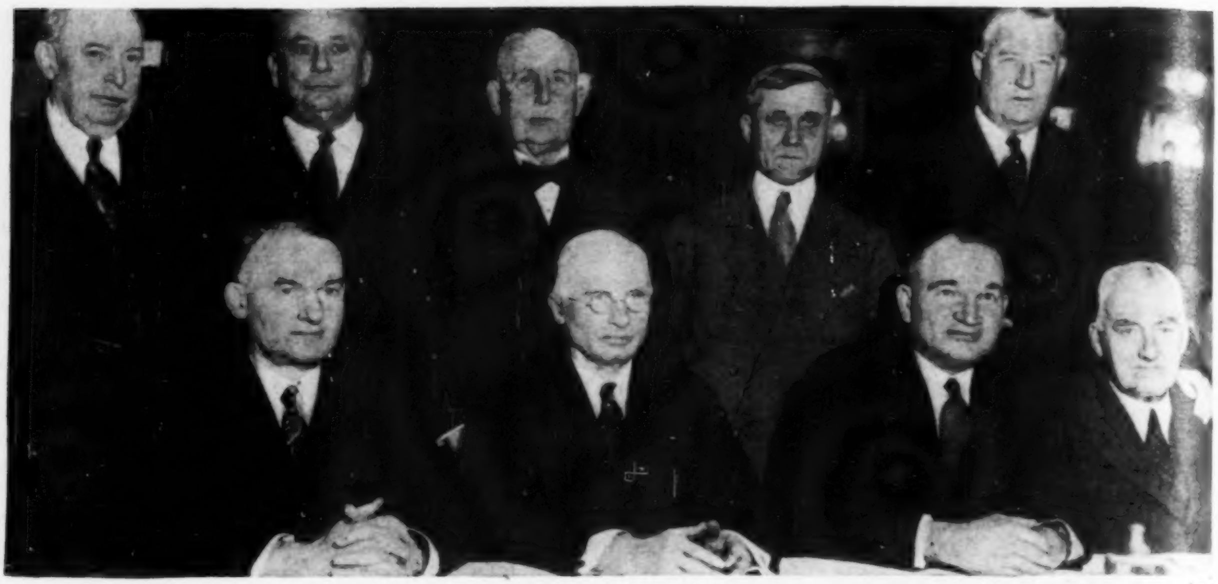
DIRECT service to Milwaukee and Manitowoc, Wis., by car-ferry across Lake Michigan from Muskegon, Mich., is sought by the Pennsylvania Railroad in an application filed with the Interstate Commerce Commission last week. Advantages claimed: shorter distance, less routing of traffic to Milwaukee through Chicago.

The proposed car-ferry service would be operated by the new Grand Trunk–



Acme

RAILROADERS ALL—*On the left of the long, white table, sits management, anxious to reduce wages to balance budgets; on the right, the spokesmen of the unions, willing to help, reluctant to relinquish hard-gained objectives*



REPRESENTING THE RAILROADS—*At the Wage Conference, seated, left to right, are Presidents L. A. Downs of the Illinois Central; Daniel Willard of the B.&O., chairman of the roads' committee; J. J. Pelley of the New Haven; A. C. Needles of the Norfolk & Western. Standing, are J. E. Gorman of Rock Island; L. W. Baldwin of Missouri Pacific; C. A. Wickersham, Atlanta & West Point; H. D. Pollard, Central Georgia; C. E. Denney, Erie*

Pennsylvania Transportation Co., to be owned jointly by the Pennsylvania (with 75% interest) and the Grand Trunk Western railroads. It would involve the purchase for $2,390,000 of the 4 car-ferries of the Grand Trunk–Milwaukee Car Ferry Co., a Grand Trunk subsidiary, until now plying between Grand Haven, Mich., and Milwaukee.

Box Cars to Voyage, First Class, From New York to Havana

VESSELS that mark a new development in rail-and-ocean transportation soon will be available for shippers of freight between New York and Havana. Next fall Seatrain Lines, Inc., will put into the service 2 steamers of a unique type. They will carry entire trains of freight cars which, lifted off at either port, can be shunted direct to rail destinations. Each will have almost a mile of track on which 100 box cars can be loaded at one time.

The U. S. government granted construction loans for these strange ships. Each will cost $1½ millions. Sun Shipbuilding Co., Chester, Pa., captured the contract.

Seatrains Are Different

Car ferries are nothing new under the sun. The Florida East Coast Railway has long operated a service from Key West to Havana. But such vessels are only sea-going floats, allowing cars to be rolled on and off at the ends; covered, powered, and designed to withstand reasonably heavy weather. The Seatrain type is entirely different.

These are real steamships with the entire hold given over to tracks. Instead of rolling on, the cars are picked up by patented cranes and lowered into a single hold. Nor are the boats experiments. One such carrier has proved itself in 3 years of service between New Orleans and Havana.

Graham M. Brush, president of Seatrain Lines, invented the boats and the special loading machinery. A young engineer, graduate of Sheffield School at Yale, he gained some experience of ships with the Ward Line. Marine engineers and bankers were skeptical of his seatrain designs. Finally backing was secured and the first steamer built in England. It has been a business-getter for railroads running into New Orleans and will be kept in that service. The new boats will be bigger (carrying 5 more cars) and faster (16 knots).

They look like tankers with power plant astern, navigating bridge and quarters forward. Those building are 470 feet long. Cars at the dock are shunted on to cradles which are picked up by the 4 corners and lowered into the hold. Here are 4 decks of tracks. Winches at the end of each stretch pull the cars to position. Wheels are then locked, jacks on either side take most of the weight from the trucks, chains go over the car to hold it absolutely steady. This prevents rolling on the tracks, also abolishes troublesome jiggling on the springs resulting from rhythmic accumulations. These boats can load and unload within 10 hours, against days for a regulation freight steamer carrying an equal cargo.

Saves Labor, Expense

Advantages claimed for the new type are many. The unloading of a regulation freighter is a costly and somewhat chaotic procedure. Dock labor comes high and idle time in port is expensive. There are heavy losses from breakage, thieving, switching delays, etc. By cutting down such evils, the Seatrain boats can profitably carry the extra weight of the cars.

Each commodity stays sealed in its car from shipper to destination. Since there is no handling at docks, goods can be sent in lighter, less expensive containers. Perishables can be handled with any variety of goods—exactly as is the case with a mixed freight train. Fruit and vegetables simply stay in their iced car, are not handled and damaged at each

AS YOU GO UP AND DOWN . . .

WHAT do you think about in those few short seconds while the elevator speeds to your floor? Appointment at 9.30. Directors' meeting. Dictating to do. Foursome this afternoon. Thus your thoughts march by.

And all the while you're being sped steadily upward, yet hardly aware of it.

You don't have to pay attention to the elevator because it is new and modern and has as much regard for your feelings as a mother for her sleeping child. It almost tiptoes about its work. No banging of doors. No bucking or jerking. It climbs with an easy, pleasant rhythm — yet fast! Fast enough to rival the get-away of a nimble motor car.

It is our aim to make the elevator so free and easy in its movement and considerate of you that you won't even have to take notice of it. That is why Otis engineers have worked out devices which make the doors open and close quietly, the car start and stop gradually and seek the exact level of the landing, and many, many others. That is why the Otis research laboratories are busy today — searching for more and more ways to add to the comfort of elevator passengers.

These are modern days and the old-fashioned elevator with its jerky ride and its funny-looking fixtures is as much out of date as hoop skirts and bustles. It spoils the appearance of the building and gives unsatisfactory service. Many of these elevators can be modernized at extremely low cost because Otis parts are adaptable to the older models. If the elevators in your building seem out of date, ask the building owner if he knows about the Otis elevator modernization plan. You can assure him that whatever the problem, Otis engineers will produce an economical solution.

OTIS ELEVATOR COMPANY

port. Such features combine to reduce insurance costs.

These economies introduce to the sea trade commodities that could not afford voyages at regular ocean rates. The New Orleans service inaugurated shipments of coke to Cuba by savings in rail, steamer and terminal charges. Returning gondolas brought manganese to the Birmingham mills from Cuban ore deposits which were unprofitably mined under previous transportation costs.

Bus Lines Are Growing Bigger, Owners Fewer

THE consolidation movement which has been gaining headway in the bus transportation field for some years continues to bring numerous lines into larger operating units. Economy of operation and increased traffic through better promotional work are the objectives.

Reflecting the trend, was the recent formation of the Motor Transportation Securities, Inc., to acquire for the Short Line System—second largest long-distance bus system in the country—the entire stock of the Colonial Short Line Co., Cincinnati, O., and Colonial Stages South, Jacksonville, Fla. The purchase was made as a result of November's receivership sale of the Interstate Transit, Inc., controlling the Colonial lines, which, *Bus Transportation* reports, the new company got for $915,000.

The new deal gives the Short Line System a vast territorial coverage east of the Mississippi, and eliminates direct competition between associated companies for east- and west-bound traffic. At Chattanooga Colonial Short Line buses from Chicago, Detroit, and intervening points will connect with the route of Colonial Stages South, to Miami via Atlanta and Jacksonville.

Service Extended

By hookups with the Union Pacific bus system and the motor subsidiaries of the Missouri Pacific and the Chicago & North Western, the Short Line also extends its service West and Southwest.

Interstate bus consolidations have obviously been favored by the absence of regulation. Whether the threatened federal control would retard or facilitate this merger movement is disputed.

During the past few years, the total number of companies in common carrier business has been steadily diminishing, while that of larger units has shown a steady increase. At the present time, over a third of the route mileage of buses in common carrier service is combined in relatively few hands.

Wide World

JOB FINDERS—*Left to right, seated, are Palmer Pierce, Marshall Field, 3rd, Harold Plummer, Mark McKee, Henry L. Stevens, Jr., Edward J. Sullivan, George L. Berry. Standing, Percy Tetlow, Col. J. W. Study, Harold V. Engh, Oscar H. Fogg, C. M. Chester, Jr., John Thomas Taylor. They represent the Association of National Advertisers, the A. F. of L., the American Legion and others cooperating in a big push to make jobs*

Publicity and Pressure Put Power in Legion's Job Campaign

WHAT the American Legion promises will be the greatest publicity campaign ever seen in this or any other country is about to be launched for the sole purpose of finding employment for the jobless. Under the leadership of the Legion and with the cooperation of the American Federation of Labor, the Association of National Advertisers, newspapers, radio systems, service clubs, and scores of state and local business, trade, and social organizations, this campaign will attempt to place at least 1 million men in employment within the next 2 months.

This is the culmination of plans laid at the recent American Legion convention, which emphasized the improvement in employment conditions that would result if each employer added only one person to his working force.

Proposals made there have now been worked out in detail, cooperation of essential agencies has been obtained.

Organization is based upon American Legion posts in 10,800 towns and cities. Each post commander will form a local committee duplicating the national cooperative setup. The campaign plan puts behind his efforts social, industrial, political, and publicity pressure that will be hard to resist.

Local newspapers will be asked to publish daily front-page boxes listing employers who have taken on new workers and to give progress reports of the nation-wide campaign. Local radio stations and advertising interests will be enlisted to arouse interest.

While minimum demands upon employers call for the addition of 1 worker to each payroll, a 10% increase in force is being urged wherever possible. As the drive starts some 200 of the largest concerns in the country have pledged themselves to make such an increase by Feb. 1. Some of this will be in the form of part-time work.

With the urge for increased employment will go appeals to householders and business concerns to offer odd jobs of repair and maintenance work about their properties along lines used successfully in Rochester, where several millions of dollars worth of odd jobs have been dug up through an intensive community campaign. The Legion plans to make this a nation-wide activity.

Steel's Best Hope Lies In New Markets, Lower Costs

Industry is making real gains in these directions but little progress toward price stabilization

Steel companies are looking to price stabilization measures, the opening of new markets, and the development of new methods of cost-cutting for help in weathering the economic storm.

They have little hope of early price stabilization, especially in light-rolled products where most serious deviations have occurred. With the prospect of operating at 40% to 50% capacity during the first half of 1932, the mills will be hungry for business at almost any price. In addition, sheet capacity is increasing; Inland Steel Co. puts into operation this year its 400,000-ton-per-year plant at Indiana Harbor, Otis Steel has ready a hot strip mill at Cleveland.

Big Steel Cuts

U. S. Steel has been blamed for the serious weakness in price structure. In previous years it has kept fairly aloof from price wars, found it unnecessary to follow independents in a price-cutting scramble for business. More recently it is reported to have been meeting price competition, especially in Detroit, where low prices are inaugurated. However, there is no denying that Big Steel has seen plenty of provocation, as it stood by and watched competitors take orders away on a price basis.

With no prospect of better prices immediately ahead, the industry is attentively examining possible new markets. Large sums have been spent to develop new types of small house construction using steel. McClintic-Marshall Corp., subsidiary of Bethlehem, has been particularly active in this field. American Rolling Mill Co. has just developed a corrugated steel house. A. O. Smith Corp. is reported nearing completion of plans for a factory-built steel house, to the production of which its automatic automobile frame assembly equipment may be adapted.

Another sales prospect is "welderies" devoted to manufacture of welded machine parts from rolled steel. Offering a potential consumption of 4 million tons of steel annually, welding shops are expected to emerge with a business comparable to that of the commercial forge shop or foundry.

Other markets being cultivated by the industry include steel floors for bridges and buildings, for which 250,000 tons of steel already have been used and which would take 2 million tons a year if fully developed; steel road guards requiring nearly 1½ million tons a year; sheet steel piling; steel dam construction; steel protected street curbs.

Chopping Costs

The reliance on cost-cutting to support steel's recovery gives particular interest to the Steckel Mill, invented by A. P. Steckel and now licensed by Cold Metal Process Co., to cold-roll strip steel without an intermediate annealing process, thus drastically reducing expense and resulting in a superior product. This is called one of the big developments of the year. The rolling is done on small-type rolls so gently that the product escapes the stresses and strains usually set up in the process of rolling. The new process has also been applied successfully to stainless steel, copper, high carbon razor steels, brass, nickel, and Monel metal; its application to hot-rolled strip is expected soon.

International News

New York's Deep Hole—*The mining camp between 5th and 6th Aves., 48th to 51st Sts., where foundations for Radio City are being put in*

Turning the Molds Keeps Oxygen Out of Copper

When oxygen bubbles get into copper castings they lower the conductivity, reduce the density and ductility of the metal. Until recently, there has been no way of keeping them entirely out in production on a commercial scale.

U. S. Metals Refining Co. has found a way which sounds simple but is actually the result of several years of careful experimentation. As explained to *Metal and Mineral Markets* the trick is turned by casting in vertical instead of horizontal molds, as is the common practice.

Along with a higher electric conductivity, greater density and ductility, metal turned out by this method is reported to show a higher resistance to fatigue than ordinary electrolytic copper.

Several Uses

Two brands—OFHC (oxygen free-high conductivity) and OFHC Selected—are produced. The first is intended for high-grade coarse and fine wire, tubes, sheets used in spinning, deep drawing, and for other uses where the metal is cold-worked. The selected brand is adapted for electric conductors requiring highest grade of copper, such as continuously loaded telephone cables, and for equipment subjected to reducing gases at high temperatures.

Goodrich *slashes*

THE NEW SILVER

A Tougher, 15% Deeper, All Service Tread

ADDS 22% MORE MILEAGE

Cross section of the New Heavy Duty tread . . . *measuring 15% deeper.* A tougher tread compound eliminates cutting and chipping — reduces tread wear 21%. In fast or slow service, in all types of hauling this tread will stand the gaff — give thousands of additional, safe, trouble-free miles.

Better Grip on the Road

IMPROVES TRACTION AND BRAKING

Exact dynamometer tests prove greater resistance to skidding. A truck equipped with these new tires will come to a safe stop at (A) . . . with another well-known standard tire it stops at (B) . . . *as much as 27% greater braking control!* Husky double cleats of tough rubber and 22% greater road contact area insure this positive road grip for the life of the tire.

Maximum Flexibility and Cushion

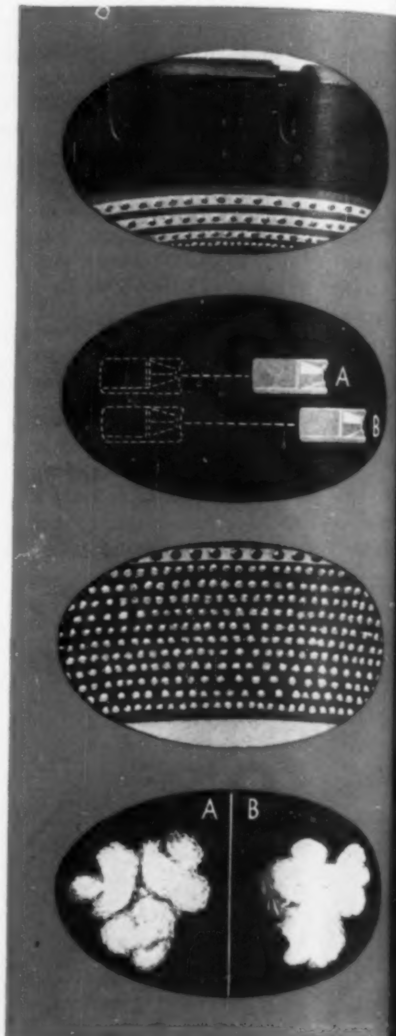
GREATER PROTECTION TO LOAD

"Full Floating" weftless cords in 22% heavier gum fillings and an improved, heavily insulated double cord breaker absorb sharp road blows and materially reduce tire strain. An improved center flexibility action gives better distribution of the load. Thus the new Goodrich Truck Tire insures easier riding — greater protection to load and truck.

Stronger, Thicker Carcass

MINIMIZES PUNCTURE—BLOW-OUT HAZARDS

Microphotograph (A) shows cross section of cord in the new Goodrich Truck Tire. Note the rubber particles in the very heart of the cord. *Each cord is impregnated with a high-grade rubber compound under pressure of 250 pounds per square inch* — thus Goodrich gives you protection against the internal heat and friction that produce premature tire failures. Microphotograph (B) shows cross section of cord in an ordinary truck tire — *no rubber inside it.*



On your trucks they will bring these POSITIVE *savings . .*

Lower tire costs per mile . . . Fewer blow-outs and punctures . . . Greater pay load capacity . . . Higher speeds . . . Fewer repairs . . . Fewer delivery delays . . . Reduced gas and oil consumption . . . Added safety — better traction braking . . . Longer truck life . . . A widened trading area . . . Lower driver-labor cost per ton . . . Lower insurance rates on load breakage . . . Lower license fees in many states . . . Fewer repairs on tread and sidewalls . . . Less heating up of tires . . . Increased tire mileage . . . Longer life of inner tubes . . . Increased trade-in value of trucks . . . More trips per day . . . Improved comfort of drivers.

trucking costs with

TOWN TRUCK TIRE

Three Years in the Making —1,257,000 test-miles

THREE years ago Goodrich saw developing the need for a stronger, safer, more efficient truck tire. A tire geared for greater speeds — longer, harder runs — quick stops — slippery streets — congested traffic.

Goodrich went to work. Eighteen types of experimental tires were produced — run 1,257,000 test-miles on cars of the Goodrich Silver Fleet.

The result is a tire that will deliver MORE miles, FASTER miles, SAFER miles, CHEAPER miles, than any truck tire ever before built . . . the new Goodrich Silvertown Truck Balloon!

To get the facts on how this new-style truck tire can *lower* your operating costs — phone your nearest Goodrich Distributor. He's listed under "Tires" in the Classified Directory.

The B. F. Goodrich Rubber Company, Est. 1870, Akron, Ohio.

Goodrich *Truck* Balloons

Another B. F. Goodrich *Product*

32,000 RUBBER ARTICLES representing more than a thousand distinct rubber products—Goodrich Silvertowns

Zippers · Rubber Footwear · Drug Sundries · Soles · Heels · Hose · Belting · Packing · Molded and Hard Rubber Goods

Wide World

WHERE THE ROAD BEGINS—*Engineers at the American Road Builders convention in Detroit examine Henry Ford's display, which begins with this rutted clay track in the forest, and runs through corduroy, gravel, and macadam stages to the present concrete speed-boulevard construction*

Modern Management Makes Every Employee a Salesman

Some concerns—and workers—have found it pays to put whole force on the trail of orders

"EMPLOYEE-COOPERATION" has acquired a broader meaning in these days of hard-sledding and grim selling. Employers have found that workers outside the sales force can also get orders. Employees have turned to with a new comprehension of the fact that it's orders that keep the wheels going round and jobs from going out from under. Increased business and employment have resulted.

Good Will and Sales

Three popular methods of using employee-cooperation in sales promotion are to have workers sell company products directly, supply tips on likely sales prospects, disseminate good-will-getting publicity for the employers' products and policies. The degree of pressure put behind such methods varies.

Railroads have taken a lead in this development. Some of them provide "patronage cards" which identify their employees as rail workers and furnish a lead for these employees to urge those with whom they do business to help keep their jobs going by shipping and traveling by rail. About 2 years ago, women employees of the Baltimore & Ohio formed the "B. & O. Boosters Club" which has since boosted $35,000 of competitive passenger business into that railroad's trains.

Employees of Southern Pacific have organized at various localities to urge rail shipment. They point out that towns with railroad shops suffer when railroads suffer. In Tucson, employees sponsored local advertising urging this point. Last June a gigantic parade of employees living in Ogden, Utah, directed state-wide attention to the railroad's influence upon community welfare; induced local advertisers to include the phrase "We ship by rail" in their copy.

New York Central supplies all employees with "Traffic Tips" postcards on which, at least once a month, they are supposed to send in a tip on a prospective passenger or freight customer or on a plant seeking an industrial location. During November several thousand such tips were received.

Capitalizing Loyalty

Norfolk & Western has organized a 3-point prosperity campaign: (1) more efficiency in transportation; (2) make N. & W. service more attractive and dependable, then sell it; (3) understand your railroad's problem, then help make the public "railroad-minded." Local "Efficiency Meetings" of employees devote much time to business-getting activities.

Rock Island employees at Eldorado, Ark., and Alexandria, La., have formed "Get the Business" clubs, are pushing the slogan "Ship by Rail" wherever possible.

One of the most successful campaigns has been that of the Pullman Co. to sell single-occupancy sections (*BW—Aug19'31*). Whereas agents once sold 17 sections to 1 sold by conductors, now conductors' sales show a 3 to 2 margin.

Utilities Started It

Public utilities were among the first to start employee sales cooperation, have carried it farthest. Virtually every local unit plans for employee aid in selling appliances, teaching use of electricity, popularizing utility policies and, in many cases, in selling company stock. An important job of the National Electric Light Association is to develop and perfect employee sales helps. These have been found to be unusually profitable.

Other applications of this new sales method are cited by Everett D. Hawkins in *Industrial Relations,* all of them widely applicable to other businesses.

"All For One"

For example, employees of Cudahy Packing Co. are urged to buy Cudahy products, to ask their grocers and butchers to stock them, to advise all their friends and neighbors to patronize Cudahy. Armour follows the same policy, has sent letters to 80,000 stockholders urging them to buy and recommend Armour products.

For several years The Fidelity Bank & Trust Co., Kansas City, has given small commissions to employees bringing in new accounts, has averaged 131 business-getters per year since 1924. The Cleveland Trust Co. lists its "Six Best Sellers" in its monthly magazine

in 1930 the leaders had each secured at least 10 new accounts or other business equivalent to $10,000 deposits.

In February, 1931, Standard Oil Co. of California inaugurated a "Timely Tips Roll of Honor" for employees who notify management of good prospects among their personal acquaintances. The first 9 months brought 30,000 tips.

General Electric employees at Fort Wayne, Ind., cooperated with 2 distributors of G.E. refrigerators in a monster sales campaign including parades, demonstrations, sales team competitions. During last July 302 sales were made and Fort Wayne learned about G.E.

For many years the flourishing plan of union-employer cooperation of Naumkeag Steam Cotton Co., makers of Pequot products, has received the official approval of the annual convention of the American Federation of Labor which urges all its members to buy and promote Pequot sheets and pillow cases against non-union sheeting.

Union Members Share Both Work and Wages

DESPITE the best efforts of public and private relief agencies, trade union activities offer the outstanding examples of effective unemployment relief.

Typographical Union No. 6 of New York has recently voted to assess members 8% of their earnings or to require them to lay off one day each week and employ substitutes. This union, with 11,000 members, has distributed $2,300,000 for relief since July, 1930; by March, 1932, it will have donated $3 millions. Relief is being give to 1,400 totally unemployed members at a maximum rate of $18 a week.

The 2,400 printers employed by New York newspapers have given 114,000 days' employment to substitutes, will increase this to 142,000 days by the end of March. Pay for 1 or 2 days' work per week is augmented by direct relief.

Unemployed members of the International Association of Machinists have received more than $8 millions of relief during 1930 and 1931. Some 15,000 employed members are donating 2 days work each week to their less fortunate fellows, 20,000 more are giving 1 day, 10,000 give 4 days—a total contribution valued at more than $7 millions. Direct relief totaling $226,000 was paid out by locals; $720,000 in dues remitted by the Grand Lodge.

Members of the Rochester Typographical Union have agreed to take 7 days off between Jan. 3 and April 9.

Even the Farmer Is Putting Financial Reconstruction First

Debenture and equalization fee take back seats for Big 3's legislative program

ORGANIZED agriculture has taken a deeper plunge into politics now that the 3 national farm groups—Grange, Farmers Union, and American Farm Bureau Federation—have united on a legislative program.

The unanimous agreement—first of its kind ever reached by the Big 3—augurs well for a strong fight. It is also significant that the program places national finance in the forefront, rather than the debenture and equalization fee. Some see in this that farmers have lost hope in securing legislative action for surplus control and will turn their efforts towards credit expansion.

6-Point Program

The legislative program was adopted by representatives of the 3 farm organizations at a meeting held in Washington Jan. 7-8. It covers 6 points.

Holding that the recovery of this country does not need to wait on that of Europe but requires immediate action right at home, the farmers demand that the Federal Reserve system stop credit contraction and deflation, start credit expansion at once, in order to stabilize the price level. They further urge that the readjustment of banking and fiscal policies and structures be given serious thought.

They insist that the main source of the federal government's revenue should be personal income, corporation and estate taxes, and favor an increase in the upper brackets of these taxes, as well as the revival of the gift tax. But they oppose a general sales tax, excise taxes on automobiles, and federal taxes on gasoline and bank checks.

Filipinos Find Allies

On the tariff, the farm organizations declare themselves in favor of such rates as will safeguard the domestic market to the American farmer, and, with a cry of "tariff for all or tariff for none," demand that tariff schedules be at once revised to put agriculture on an equal footing with all other industries. Competition of Filipino products in the American market has enlisted them in the cause of Filipino independence—and no free entry for Filipino exports.

The "big 3" want the Agricultural Marketing Act kept in force, and suggest, but not very strongly, that it be amended by the inclusion of the debenture, equalization fee, or any other method for controlling surpluses and assuring the American farmer the cost of production.

Finally, holding that short selling is detrimental to business, they declare themselves in favor of legislation to prevent such operations on commodity and other exchanges.

Sinclair-Prairie Merger Another Oil "Integration"

ASSETS of $532 millions, challenging third place among domestic oil companies; 4 million acres of oil-producing land; 10 refineries with a capacity for 150,000 bbl. of gasoline a day; 13,700 miles of pipe line; retail sales outlets in 45 states, Latin America, and several European countries: this is the Consolidated Oil Corp. to which 3 years of negotiations have finally led Sinclair Consolidated, Prairie Gas & Oil, and Prairie Pipe Line. Directors approved the merger; stockholders soon will.

Something had to be done about the Prairie units, relicts of the old Standard Oil group. Until 1930 they were among the largest buyers and shippers of crude oil, did business chiefly with former associates. Then relations with Rockefeller interests became strained, Prairie began flirting with Sinclair, lost Rockefeller money and trade. By 1930, formation by customers of their own purchasing and pipe line companies left Prairie with almost no sales outlets. When Sinclair, one of the leading independents, sold its interest in its crude purchasing and pipe line companies to Standard of Indiana, it was thought to have an eye on Prairie.

Negotiations lagged while Prairie business fell because of its lack of refining and distributing facilities. Reports and denials of merger agreements have appeared intermittently for 2 years.

The new Sinclair unit has a wing missing; it lacks distribution on the

The Business Week

WHEAT INTO CATTLE—*Low-priced wheat is an economical cattle food, but it has to be ground for proper digestion. Feed grinders are the best-selling item of farm equipment; implement makers are grateful*

Pacific Coast. To supply retail outlets there, Tide Water Associated Oil Co. was included in the original merger plans, but didn't stay in. But, with 6 million shares of common and 5 million of preferred stock available for further expansion after the Prairie units are taken over, Consolidated is expected to repair its deficiency on the Coast, possibly add on independent units operating in the Mid-Continent area where its present facilities are weak.

Only 2 companies—Texas and Shell—now have the nationwide distribution with well-to-consumer integration that the oil industry favors as a way out of chaos. But mergers like this one, like that of the Standard of New York and Vacuum the other day, like that of New Jersey and California Standards to come, are pushing more that way.

Municipal Power Plants Free to Sell Surplus

THE Washington state Supreme Court has ruled that municipally owned power plants may wholesale surplus power outside city limits under certain limitations. This decision is hailed by public ownership advocates as a notable victory.

The case was based on an injunction to restrain Bremerton from purchasing surplus power from Tacoma. The ruling also legalizes exchange of power between Seattle and Tacoma municipal plants, as had heretofore been done as necessity arose.

Attorneys seeking to restrain sale outside of cities contended that such acts are beyond the corporate powers of municipalities of the first class. The decision holds that this is true as far as normal power development is concerned but does not apply to the disposal of surplus energy.

The court's findings are of importance to Seattle's city-owned light and power development as the city has sought to dispose of surplus electricity to cities along the route of Seattle's transmission line from the Skagit river project, 120 miles north of Seattle.

To bolster the credit of Seattle's City Light, during the present unfavorable bond market, city officials have decided to hold the proceeds of an issue of $428,650 in bonds voted for park improvements. These funds will be kept on hand in the event of an emergency in City Light affairs. Officials of this municipally-owned utility are still confident of pulling it out of its difficulties. They feel that its plight (*BW—Dec 23'31*) has been unduly exaggerated, say that creditors are not "harassing" them, as reported. They point out that payrolls and other current operating expenses are being met in cash, that their employees' offer to take a 25% wage cut was declined as unnecessary, and that they have some time in which to meet the troublesome balance of $1,250,000 due on purchases for their Diablo development.

Europe's Steel Cartel Will Try Again

EUROPE'S steel cartel—most important of all Continental industrial combinations—is still "hoping for accord."

Its life is prolonged on a yearly basis at a meeting which usually gets under way in January, ends sometimes as late as June. Present tenure comes to an end Mar. 31.

Delegates—representing France, Germany, Belgium, Luxembourg, and the Saare—got together Jan. 5. Nothing happened. They adjourned, plan to meet later, probably in London.

Stumbling block is the lack of an effective system to regulate production, enforce the quota. Each year since quotas were applied, world consumption contracted almost as drastically. Also, the 29% of world iron and steel production which the cartel attempted to control was too small to be vitally effective without the strict adherence of every member.

New prospect is that Britain will join the cartel, bringing the percentage of world production under price control up to 37. The United States produces 57%, and all other countries outside the cartel only 6%.

Britain's production of iron and steel fell in 1931 to the lowest levels in 10 years excepting only the 1926 strike year. German production last year was scarcely half of the 1929 total, was the lowest since 1924.

The meeting in London is expected to be called soon.

Moscow Will Ride The Subway in 1936

MOSCOW is starting its first subway system—5 trunk lines radiating from the center of the city. Cost of the 46 miles of lines which are to be completed by 1936 is estimated at $438 millions. Assisting Soviet engineers on the project is M. Schmidt, one of the supervisors during the construction of the famed Berlin subway.

France Puts Our Radios On a Quota Basis

ONE of the few categories of American exports to show an increase last year was radio. And one of the good and growing markets, though far from being one of the "big 10," was France. Little wonder then that in these uncertain times the announcement from France that all radio imports were brusquely and covertly put on the quota basis "as of Jan. 2," caused a stir in the American radio industry.

Quotas announced by Paris for the first quarter of 1932:

	Receiving Sets	*Radio Tubes*
	Metric tons	
United States	16.6	1.7
Germany	50	2
United Kingdom	4.6	3.4
Holland	79.2	6
All others	3.7	1.9

Already Over Quota

Principal cause for worry by American exporters is the fact that they are reported to have shipped more than their January quota before the announcement was made from Paris.

American exports to France have been increasing recently. The Paris office of *The Business Week* reports that imports of American radios and radio equipment totaled $390,000 in 1930, jumped to $590,000 in 1931 when they constituted 20% of total French radio imports. It is admitted, however, that before 1929 French takings of American radio equipment were comparatively unimportant. In fact, in 1929 18 other countries were taking more American radio exports.

No Economic Necessity

American exporters would be more inclined to accept the present small quota as something worked out on a 5-year average if their Paris agents had not warned them of other influences at work. Paris declares the whole decree is utterly unwarranted by economic necessities, that it was taken solely in the interest of the French Radiola Co., which is owned by the Banque de Paris et des Pays Bas, and is allied with the Dutch Philips group which, in turn, is backed in France by the Credit Commercial de France. These interests, due to increasing American sales, recently merged after years of litigation. Americans look on the present quota as a result of their maneuverings. Since the quota is set for only 3 months at a time, it is possible that diplomatic pressure might bring quota changes as early as April.

In the meantime there is fresh worry in the rumor from Paris, but on good authority, that France is contemplating import quotas on industrial machinery and electrical equipment as a result of increasing agitation from manufacturers. Such action would particularly affect German interests, but would also involve American export business.

International News

LEARNING THE TIRE BUSINESS—*As his father becomes chairman, Leonard Firestone enters the business at the other end, starts in a service station*

Trade Losses Sober Japan's Enthusiasm Over Military Gains

JAPAN'S natural pride in her victorious Manchurian army is being severely tried as business recession continues and the threat of a rapidly mounting budget deficit looms at a time when economies are in order.

A number of facts published recently have considerably sobered Tokyo's enthusiasm over the venture:

(1) There was an unfavorable balance of $69 millions in the year's foreign trade; and in the first 10 days of January the excess of imports was nearly $4 millions, due to very heavy cotton imports, and to the poor demand abroad for raw silk.

(2) Exports to China during the last months of the year were reported to be down 60%, with the boycott relaxing in no sections. China ordinarily absorbs from 16% to 20% of Japan's exports.

(3) United States export figures for November showed exports to China were nearly double those of a year ago. Japan admits at least a part of this was due to the boycott of Nipponese goods.

(4) Approximately 60% of total Japanese shipping is tied up because of a lack of business.

(5) Domestic prices have been rising since the yen went off gold. The index number of wholesale commodity prices advanced 2.7% in December. Depending to the extent that it does on imported raw materials, Japan, in the opinion of many business leaders, will not long retain any great export advantage because of the decreased exchange value of the yen.

(6) Because the government party is in the minority in the present Diet, new elections are expected early in March. In the meantime, definite policies regarding Manchuria, tariffs, government aid to business are in abeyance.

World business, meanwhile, is asking what is going to happen to Manchuria. The League of Nations, after wagging

a reproving finger, has given up without gaining so much as an inch in demands on the Japanese.

Stimson's Note

Secretary Stimson's note has a 2-faced threat which allows for firmness if properly backed by the other signatories of the 9-Power Pact, or for a mild policy in case it is found impossible to deal with a stable government in China. Japan, behind her bold exterior, wants to maintain American friendship. Also, there is the silk export trade to the United States, which in normal years amounts to $300 millions. Japan tactfully bowed to American demands without promising anything contrary to present policies.

The future is uncertain but the chances are good that Japan will consolidate all southern Manchuria as a "sphere of influence." She controls the government at Mukden and in each of the provincial capitals. She has control of all the railways except the Chinese Eastern (in which Russia has a share). She even controls a large part of the British-financed, British-supervised Peiping–Mukden line. She has control of all revenues. She has an army in charge. China will argue, but Japan will hold firm, and, it seems reasonable to expect will get everything she wants.

What Japan May Do

What Japanese occupation, either under a "free state" dominated by Tokyo or under a Japanese-sponsored Chinese government, will mean can be guessed.

(1) Banditry will gradually be suppressed, with a corresponding revival of trade.

(2) Railroad projects, abandoned when the Sino-Japanese difficulties broke out, will be pushed for military, as well as economic, reasons.

(3) Industrial development, similar to that sponsored in recent years by the South Manchuria Railroad in a restricted area, will be expanded as soon as world conditions are more favorable.

Chinese Ineffectiveness

The project is ambitious and the methods now discussed in Japan are, in many cases, amateurish, but the lack of effective interference from abroad, plus Japan's broader knowledge of how to deal with Western powers, plus the ineffectiveness of the Chinese government, are likely to allow for gradual success.

Japan is after vital sources of raw materials which Manchuria can provide. Most of the business and political world recognizes that she is not going to be cheated out of her reward in this latest attempt at expansion.

"Buy British" Threatens Another Good Slogan—"Sell Argentine"

So London's good friend on the Plata wants to be in on empire preference—and we are interested

OUT of every $5 worth of imports coming into the Argentine, $1 worth comes from Britain. No longer than 10 years ago, the ratio was 4 to 1. Only the United States supplies a larger share.

Of the Argentine's exports, more than 25% go to the British. In 1929, peak year, they were valued at $400 millions. In 1930 they slumped to $275 millions. Only the United States supplies more to the British.

When Britain's National government was elected last November on a pledge of tariffs and empire preference, business men in the Argentine were stunned. It looked as though Argentina would soon be shut off from her largest market.

"Empire preference" is anathema to them. Aren't Australia, New Zealand, Canada, British Africa rivals for Britain's meat, wheat, wool market? The Argentine sends London £33 millions of meat (two-thirds chilled beef). New Zealand sends £11½ millions; Australia, £5 millions; Canada, £4½ millions.

Sharing Wheat Markets

The Argentine sends £13 millions of wheat to London and Liverpool. Canada sends £20 millions; Australia sends £8 millions: both have additional supplies.

Argentina sends £3½ millions of wool to British markets. Australia sends £22½ millions; New Zealand £14½ millions; South Africa, £9 millions.

Buenos Aires business men are alert. In December they settled down, faced these facts:

(1) Britain already has temporary tariffs (including some foods), promises a full schedule in the April budget;

(2) A wheat quota with distinct empire preference is in negotiation;

(3) The imperial conference, due to be held at Ottawa next summer, promises "to get somewhere" now that Britain has a tariff with which to bargain;

(4) Various parts of the empire already supply to London the same products as come from the Plata;

(5) Mounting tariffs and inter-country bartering are reducing Argentina's markets on the Continent.

Result of the meeting was a dispatch to London saying that "the Argentine Foreign Minister would welcome an invitation to be present at the imperial conference at Ottawa." London still has formulated no official reply.

Then the Argentine proposed a meeting of trade representatives of the 2 countries to discuss tariff concessions. London replied that this was impossible, declared that no trade agreements would be made which might prejudice discussions at Ottawa.

Important Customer Calling

Undaunted, a delegation of prominent Argentine business men and diplomats sailed for Britain last week. Official London is in an awkward position, must remain in the background because of circumstances. But no delegation from such an important customer as the Argentine can be ignored. Nor does Britain want to ignore Argentina. The desire for friendship is sincere.

To meet the situation, London's large foreign trade colony will entertain the Argentine visitors lavishly, attempt to maintain the goodwill so extravagantly curried in the British Trade Fair at Buenos Aires a year ago. But government officials will shake hands from a distance, will puzzle over plans which will allow for closer empire trade without shutting out the Argentine entirely.

Britain's Dilemma

Britain is wholeheartedly behind the "Buy British" campaign, and the empire preference scheme. But Britain also will find a way to "hold" the Argentine, with more than $2 billions invested.

The United States is interested in the controversy from 2 points of view:

(1) Only in Cuba, of the Latin American countries, does the United States have larger investments than in the Argentine. On Jan. 1, 1931, these totaled $871 millions. Any drastic upset to Argentine foreign trade, such as would result if Britain cut down severely on imports, would jeopardize interest payments as well as buying power; average Argentine imports from the United States in the 5 years ending in 1930 totaled $174 millions.

(2) Argentina exports largely raw agricultural or dairy products which are, in many cases, competitive with our own. Restrictions on the British market would increase competition in non-empire markets.

Business Abroad—Swift Survey Of the Week's Developments

Lausanne is postponed; Europe has declared herself; so has the United States. . . . Debts threaten to becloud business for a prolonged indefinite period. . . . France and Germany are most disappointed. . . . Britain is encouraged by domestic improvement. . . . America's inflation policy worries Europe; gold withdrawals likely to continue. . . . Latin America is dull; the Far East is purchasing in fair volume. . . . The world outlook again hinges on politics.

European Politics Leave Business in the Ditch

EUROPEAN NEWS BUREAU (*Radio*)—Chancellor Bruening's bold refusal even to consider the Franco-British proposal to extend the Hoover moratorium is potentially a sharp warning to Europe, and to the world.

It is not merely a bold play by Germany to hold the advantage gained recently by the decision of the Basle experts that the country is unable to pay. It is a warning that the moderate Bruening government is threatened at home, is making a last stand against Hitlerites. It is to be remembered that Bruening must face the reassembled Reichstag in February, with only a slim chance of maintaining his majority. His recent unsuccessful negotiations with Hitler and Hugenberg have not increased the prospect of his being able to carry on until the reparations question can be settled.

A Significant Warning

The Franco-British invitation to Berlin was essentially French. France refuses to look at German demands for an end of reparations as anything other than more evidence of Berlin's "bad faith" on the whole reparations-Versailles tangle. The French stand reflects the proximity of national elections but, unless there is an unexpected change of national feeling, France is likely to remain the stumbling block—always shifting the blame on to Washington. There is a threat in the French warning that while France would deplore any catastrophe in Germany, just as would other countries, "it must be remembered that the effect on France would be almost negligible as she is able to care for herself."

Too, there is growing uneasiness in Europe over American developments. Europe has not yet forgotten its post-war inflation scramble, and the havoc it wrought. The avowed intention of the administration at Washington to create mild inflation through the activities of the Reconstruction Finance Corporation is not wholly trusted. Inflation so easily gets out of bounds.

Gold withdrawals from New York are again under way, are likely to continue. Europe is skittish, on the defensive. Too much is already frozen in Germany and, unless willing to take the exchange loss, in Britain, to risk New York balances. Confidence in the dollar is not absolute.

After months of conferences, Mr. Wiggin's committee of international bankers are this week faced with the fact that they have been working on 3 premises which have proved to be wrong: (1) That the Lausanne conference would convene and definitely settle German reparations, after which (2) France would definitely admit Germany's inability to pay, following which (3) the United States would grant at least a scaledown of her creditors' war debts.

Situation Unchanged

The premise has been removed, but not the fact that Germany will not pay, and that Europe in turn will not pay war debts. As a result, the decision that may soon be announced from Berlin may be much the same as has been contemplated, will amount to some sort of extension of the "standstill" agreement which terminates Feb. 29.

The sugar conference at Amsterdam has reached no definite conclusions regarding the continuation or abandonment of the Chadbourne agreement but has now definitely decided to renew the conference before the end of January.

The attitude of the recalcitrant Java producers towards further reduction quotas is due to discontent at finding themselves still holding 2 million, out of 2.6 million, tons produced in 1931.

Heavy Sugar

These stocks are estimated as worth $50 millions which is a heavy burden on Javanese industry, already experiencing trying financial troubles. It is stated that it is impossible for producers to endure a 50% reduction in the present quota pending liquidation.

Vermey, director of Landbouw, accompanied by Knottenbelt, who until recently was the V.I.S.P. manager, but who resigned on account of his disagreement with majority views, are leaving this week for a prolonged tour of India, Java, and the Far East to investigate the prospects for an independent sales organization.

Germany Is Hard Hit By Lausanne Fiasco

Germany discouraged over Lausanne fiasco. . . . Business slumping; unemployment climbing. . . . New tariffs aimed to bar imports from countries with depreciated currencies. . . . December trade balance favorable but less than November. . . . Soviet business on decline. . . . Standard Oil buying rights in Hanover.

BERLIN (*Cable*)—German business is discouraged over the success of Franco-British maneuvers to win a postponement of the Lausanne conference. While it is realized that the outcome of the French elections, due soon, may improve the chances for agreement of the 2 countries on a plan beneficial to Germany, and probably in keeping with Chancellor Bruening's recent frank suggestions, it is strongly felt that Germany will be unable to stand, either financially or politically, the present strain for another 6 months, or possibly longer. The lull in Hitler activity is coming to an end and spring elections may give the Hitler forces strong new representatives in various posts.

Domestic industry, in the meantime, is increasingly less active despite the easier trend on the money market and the temporary boom in stocks. Bankruptcies last year totaled 13,600.

Retaliatory Tariff

Significant among the week's developments was the promulgation of a presidential decree placing additional tariffs on goods imported from countries which accord to Germany's goods less favorable treatment than is received by the products of other countries, or on goods from countries with depreciated currencies. The decree obviously is aimed particularly at Britain and the Scandinavian countries.

First application of the decree is expected in the important butter markets. At present the German butter industry is demoralized by a recent 30% price fall due largely to Danish and New Zealand competition. The new tariff should exclude nearly 60% of the coun-

Keystone

DRAMATIZING SOCIALISM—*The Soviets have taken a leaf from the capitalists' war propaganda, use posters to whip up enthusiasm. This one appeals to American workmen, warns of attempts to stop the "Machine"*

try's average butter imports. Feeling among exporters is divided. Some believe that Germany is too dependent on maintaining foreign goodwill for the sake of developing export markets to risk placing the new embargo which so obviously hits some of Germany's best customers.

Trade Decline Expected

The decline in the favorable balance of trade in December was not unexpected. Imports, particularly of foodstuffs and raw materials, could not continue at the low levels maintained during the fall months if Germany is to continue to keep up the large volume of fabricated exports. The surplus for the month was $60 millions, only $2 millions below November. For the year the favorable balance is $706 millions. A heavier drop in exports, but possibly not in the surplus, is anticipated in coming months.

Berlin has just released Soviet trade figures for November. Orders placed by Moscow in that month totaled $1,630,000, and for the 11 months of 1931 reached the huge total of $215 millions. It has been officially announced, however, that for the time being, because of the country's critical financial condition, there can be no further government guaranty for manufacturers handling this business. As a result, those who accept Soviet orders are advised to manage their own financing cautiously, probably granting only short-term credits, and these only at their own risk.

The German motoring public as well as the domestic and foreign dealers in gasoline and oil products are in a flurry over a recent project proposed in Berlin. It is planned to decree a sort of standardized motor fuel for the entire country, in which at least 50% of the "ingredients" will be of domestic origin or within the prescribed import quotas of gasoline. Nothing definite has yet developed.

At the same time there is the rumor that the Standard Oil group is acquiring from the Anton Racky Co., through the German Vacuum Oil Co., oil rights in the recently active Hanover field. This is causing a sensation in Germany especially since it follows the very recent extension of German production interests by the Shell Oil Co.

Siemens Makes a Coup

Siemens, large electrical concern, has scored a new victory in the international field with its automatic telephones. It has obtained the greater part of the orders placed by the Dutch government for automatic telephone exchanges in the provinces of Holland.

For year, Siemens has been competing in Holland with I.T.T. and with the Swedish Ericsson concern (now also controlled by I.T.T.). The Amsterdam telephone system was equipped by Siemens, while I.T.T. supplied the equipment for The Hague, and Ericsson for Rotterdam.

While Politicians Fence, France Slumps Further

Industrial and market disintegration continue. . . . Unfavorable trade balance increased in 1931; imports reflect industrial inactivity. . . . Bourse sustains recent strength. . . . Laval balks reparations progress in inaugural. . . . France and Germany to coordinate air forces.

PARIS (*Radio*)—France has succeeded in blocking Lausanne. In his insistence on maintaining the framework of the Young Plan until there is assurance from Washington that war debts will simultaneously be cancelled, Premier Laval, speaking also as Foreign Minister, was playing to the French gallery. Elections are not far away. So far, neither the press nor important public opinion has warranted any change of the stubborn French stand. The French elections, and then the German, will be watched by all the world for the next indication of the turn the reparations-war debts question will take.

Meanwhile French business is slipping fast into the depression which it escaped for so long. The recent strength on the Paris Bourse has abated, though there is still an undertone substantially better than for many previous weeks. Foreign liquidation is heavy.

Yearend foreign trade figures show a marked contraction of business in contrast with 1930. Imports were down 20%; exports, 30%. The deficit in

the balance, which appeared for the first time in 1928, continued to grow in 1929, and increased further in both 1930 and 1931. The exact total for each respective year in millions was: $80, $320, $400, and $480.

Measuring the Decline

The decline in business activity in France can be measured roughly by the decrease in the imports of raw materials during 1931 compared with 1930. It is to be remembered that for France, even 1931 was a fairly prosperous year.

Raw material imports for the 2 years:

	1931	*1930*
	Tons	
Wool	266,023	322,878
Cotton	248,241	390,227
Flax	37,145	72,833
Metals, minerals	2,271,902	3,020,151
Coal	28,054,858	30,712,584
Rubber	54,177	82,033

Only gasoline and heavy oil imports showed slight increases.

Prospects in the textile industry continue to be discouraging. Many establishments are experiencing financial difficulties, although few have actually been forced to close. A 2- or 3-day week is practically universal, and reduction of wages in the important Roubaix–Tourcoing district is progressing slowly without causing undue protest from workers. It is hoped the government soon will grant textile manufacturers some measure of relief from taxation as an indirect aid to unemployment, and will increase protection of the home market either by higher tariffs or adoption of the quota system.

Rumors circulated in the French press regarding the early formation of a Franco–German "air traffic trust" are premature. The Franco–German Economic Council is, however, striving to bring about closer economic cooperation in the air systems of the 2 countries.

Air Transport Plans

Attention at present is riveted on further development of the Paris–Berlin services, eventual pooling of the air lines now maintaining communication from France and Germany to the Balkans, and finally in some form of cooperation in developing regular, efficient air transport with South America.

The Paris–Berlin route is at present serviced by a Franco–German pool in which the monopolistic German Lufthansa and the French Farman Co. cooperate on a 50-50 basis. The new arrangement will attempt a similar pooling agreement for the Balkan lines (including Turkey) where the French "Cidna" now maintains passenger and postal services, while Lufthansa carries only mail and freight.

The South American service will no doubt receive special consideration. On the German side the 1932 program includes 10 Zeppelin flights. Matters are complicated by the fact that both Spain and Portugal have special interests of their own in this service. Both countries must be considered by France and Germany as eventual landing places.

At present France and Germany maintain a "mixed" postal service with South America. French airplanes carry the mail as far as Dakar (West Africa). German service carries the mail to the Canary Islands where it is taken over by the fast boats of the Hamburg–South American line

London Still Optimistic Despite Lausanne Setback

Britain comparatively unperturbed by Lausanne postponement. . . . Sterling more stable. . . . Unemployment decreasing. . . . Many prices at pre-war levels.

LONDON (*Cable*)—The general business situation is unchanged and optimism is only a little tempered by the prospect of a 6-month adjournment of the Lausanne get-together. If this delay can be used to educate the French electorate, it is a good thing; but if used merely to inflame French opinion against the German attack on "sacred rights," it is very bad. The prospect of a 6-month delay, however, does not alter the root opinion that the complex must be resolved this year or trade recovery will be further delayed.

Sterling Is Stronger

The hardness of sterling has tempted the withdrawal of French balances but this is welcomed in London as their presence has hitherto been embarrassing. Sterling's strength is regarded due partly to better feeling and partly to the suspicion that the dollar is about to suffer from inflation. Also there have been some purchases of dollars by the Bank of England against nearby repayment of the Franco-American credits.

Optimism also has been strengthened by the government's review of yearend unemployment. During the first 3 weeks in December, the number of unemployed was reduced a further 112,000. Of this number 77,000 was genuine; the remainder was due to changes in registration. Largest falls were in coal, cotton, and the distributive trades in the northern areas.

This unemployment decline has been accompanied by a fall in the retail price index for December to 47 against 48 in November, and 53 last year (on the basis July, 1914, equals 100). National thrift is evident by the sale of $1,070,000 in saving certificates for the week ended Jan. 2, bringing the grand total to $1,066,000,000, and this despite the fall in the average weekly wage of £500,000 per week over a sample group of 3 million workers, and of a loss to industry of 7 million working days in disputes.

Still Above Pre-war

In Great Britain the average wholesale prices of industrial products are now down to pre-war level. Coal prices alone are appreciably above the 1913 average. Certain metals and textiles are 20% to 25% below pre-war. Since Britain went off the gold standard, food prices on the average have increased by 5%, industrial materials about 9%.

Taking the average for the year 1913 as 100, the Board of Trade indices of wholesale prices for Dec. 31, 1931, and the averages for the year 1931 are:

Group	*December 1931*	*Average 1931*
Cereals	100.5	89.8
Meat and Fish	109.0	116.5
Other Foods	129.7	131.1
Total Food	112.7	111.7
Coal	128.6	122.4
Iron and Steel	103.9	104.9
Other Metals	86.1	78.2
Cotton	97.2	96.8
Wool	102.8	99.9
Other Textiles	89.5	80.5
Miscellaneous	104.4	105.6
Total Not Food	102.1	100.1
All Articles	105.8	104.1

Wholesale prices in 1931 compared with 1930 fell on the average 12.9%, comparing with a decline of 12.4% in 1929-30, and 2.7% in 1928-29.

Argentina's New Taxes Broaden Revenue Base

Business dull. . . . Argentina spares imports, raises new taxes internally.

No development in Latin America this week has attracted wider interest than Argentina's drastic new taxes, planned to balance the 1932 budget.

Heretofore the country has depended for revenue on customs duties. The new program levies duties from ½% to 7% on salaries, lands, securities, commerce and industry for an emergency period of 5 years.

There are special taxes on gasoline,

tobacco, business licenses, perfume, pharmaceutical products, and foreign exchange transactions. The 1931 deficit totaled $32 millions.

Reports from other Latin countries show no change in the featureless trend.

Shanghai Boom Brightens Chinese Business Picture

Domestic business reviving in China, especially at Shanghai. . . . Japan continues to curtail. . . . India is buying American cotton but the buying trend is toward Britain because of favorable exchange.

THE Far East continues to be the destination of important United States exports, but business is generally dull.

Shanghai is the brightest spot. Low silver exchange has proved encouraging to widespread activity. Real estate transactions and domestic manufacturing especially showed encouraging progress in 1931. Last year's building program was most extensive in its history.

Industrial expansion continues in a number of Chinese centers. Spinning, weaving, and knitting mills are being built on a large scale. Small factories are going up on the stimulus to home manufacture caused by poor silver exchange. Peiping is attracting some new manufacturing plants and is rapidly becoming important as a distribution center. Boycott activities have caused a congestion of unsold Japanese stocks in Tientsin warehouses.

Japanese Ships Laid Up

In Japan, business is dull. Tokyo reports laid-up tonnage now totals 360,000 with losses to the industry of $50 millions last year.

Other business is restricted. Cement production is at 57% of capacity. Iron and steel production has been curtailed but ,import prices are still below production costs. New ship launchings were down 50% last year and the outlook for this year is poor. Automotive sales were down only 6% in 1931.

Sales of American goods have been curtailed in India due to high dollar exchange. Rupee-sterling exchange is favorable to India, due principally to heavy gold exports. Cotton mills continue active and stocks are moving well, but it is feared that low yen exchange will permit Japanese cloth again to compete with local fabric. American cotton is being imported in quantities. American automobile sales are small, many dealers concentrating on British cars due to the exchange advantage.

The Figures of the Week And What They Mean

Business activity is still marking time, pursuing the cautious hand-to-mouth policy of the past year. . . . Steel operations reflect only the aggregate of small, miscellaneous orders. . . . Automotive steel buying has been moderate and with concessions. . . . Construction is handicapped by the poor bond market. . . . Coal and electric power production continue to reflect the slack industrial demand. . . . Carloadings made about the usual increase after the holiday weeks. . . . Decline in currency circulation was less than seasonal. December wholesale prices reached the 1912 level.

STEEL producers have neither expected nor experienced any sharp revival in demand from any steel consumers. With the exception of the automobile industry, orders have been small and miscellaneous. Dow, Jones places operations of the industry at 26% of capacity for the week of Jan. 18, a gain of only 1% from the preceding week. This represents a similar small gain in the adjusted index to 35% of normal.

While the reports of sales from the automobile show have been highly favorable, manufacturers seem inclined to continue the cautiousness of the past months. Ford is not rushing production. His new models are not expected before March. Motor producers are still able to dicker for terms on sheets and strip steel.

December production of motor vehicles in the United States and Canada is placed at 120,107 cars and trucks, a gain of 71% over the extremely low output of November, which totaled only 70,114 units. Employment in automobile plants in December gained 20% over November, but is nearly 13% less than a year ago. That this gain is continuing is indicated by the employment data of Detroit which showed a 5% gain on Jan. 15 compared with the end of December.

The rail industry is contributing very little to the present volume of steel business. The prolonged negotiations over wage reductions characterized by repeated adjournments and postponements are undoubtedly factors in the holding back of equipment orders. The extent of railroad curtailment in the past year has been without parallel in several decades (*BW—Jan20'32*).

In the structural steel field, a similar curtailment of demand has been apparent in the past months. The undesirable situation in the bond market has made it difficult to secure financial support for either private or public projects.

Pipe Line Prospects

Iron Age reports a few pipe line prospects pending. Tin plate activity may also be stimulated in a fortnight when tonnage contracts are released by the 2 large can companies. Stock replenishment has usually characterized the early months of the year. Farm implement manufacture is gaining headway, but judging from the figures on employment in December, the gain has been meager. Compared with December, 1930, employment has declined nearly 50%.

Our usual data on the trend of con-

	Latest Week	*Preceding Week*	*Year Ago*	*Five-Year Average 1927-1931*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*64.0	†63.4	80.7	......
Production				
Steel Ingot Operation (% of capacity)	26	25	44	69
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	......	$5,225	$9,848	$15,172
Bituminous Coal (daily average, 1,000 tons)	*1,155	†1,142	1,531	1,898
Electric Power (millions K.W.H.)	1,602	1,619	1,717	1,662
Trade				
Total Carloadings (daily average, 1,000 cars)	95	92	119	145
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	61	61	73	87
Check Payments (outside N. Y. City, millions)	$3,545	$4,887	$4,611	$5,678
Money in Circulation (daily average, millions)	$5,646	$5,680	$4,683	$4,723
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.53	$.52	$.71	$1.15
Cotton (middling, New York, lb.)	$.068	$.066	$.102	$.162
Iron and Steel (STEEL composite, ton)	$30.08	$29.96	$31.73	$35.23
Copper (electrolytic, f.o.b. refinery, lb.)	$.072	$.071	$.098	$.142
All Commodities (Fisher's Index, 1926=100)	65.2	65.3	77.9	92.0
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,855	$1,936	$1,121	$1,298
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$20,287	$20,379	$22,666	$21,729
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,371	$7,390	$8,400	$8,695
Security Loans, Federal Reserve reporting member banks (millions)	$5,660	$5,687	$7,522	$7,115
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$531	$563	$1,757	$3,420
Stock Prices (average 100 stocks, Herald-Tribune)	$93.90	$92.85	$134.62	$150.76
Bond Prices (Dow, Jones, average 40 bonds)	$80.88	$79.70	$96.42	$96.49
Interest Rates—Call Loans (daily average, renewal)	2.5%	3.1%	1.5%	4.3%
Interest Rates—Prime Commercial Paper (4-6 months)	3¾-4%	3¾-4%	2¾-3%	4.3%
Business Failures (Dun, number)	781	739	796	641

*Preliminary †Revised

struction during the present month will not be available until the latter part of January. In view of the fact that December, January, and February are ordinarily the low months of the year, it is expected that the January contracts awarded will fall substantially below the total of $136,851,600 awarded in December. A recent summary of first quarter prospects as estimated by the F. W. Dodge Corp. places total construction in the 37 states at approximately $600 millions compared with over $833 millions in the first quarter of 1931. This represents a decline of 28%. It is interesting to note that the greatest decline is anticipated in the group public works and utilities, amounting to about 32%. Residential construction, which has been declining sharply since 1928, is expected to continue to decline in the next 3 months. This dreary prospect may be modified in the event of a small-house building revival that has some basis of becoming a reality this spring.

Bituminous Coal

Bituminous coal production has not recovered to the pre-holiday level, though the week of Jan. 9 showed a slight gain in the daily average production over the preceding week. The adjusted index remained unchanged at 51% of normal.

A decline in electric power production for the week ending Jan. 16 reflects in part the unusually mild weather in some parts of the country, but chiefly reflects the low level of industrial activity. The preliminary figure on power production during December showed a 4.3% loss from December, 1930. Since then the weekly figures have shown a gradually increasing percent of decline from the comparable weeks of 1931, ranging from 4.6% for the week of Jan. 2 to 6.7% for the latest week. Our adjusted index moved to 77% of normal compared with 78% the preceding week.

Industrial Activity

The monthly comparison of industrial activity based on electric power consumption of the *Electrical World* also confirms the sharp decline that occurred in December. Exceptions are noted in the automobile and accessory lines and in leather products. Industries allied with construction work accounted for the decline in the general average.

While every group of carloadings made a gain during the week of Jan. 9, it does not appear that the increase was more than usual following the holiday weeks. Nor does it seem clear that the recently posted increases in freight rates have caused consumers to abandon their hand-to-mouth policy. Our adjusted index based on the 2 classifications miscellaneous and less than carlot freight declined to 61% of normal compared with 62% the preceding week.

Check payments for the week of Jan. 13 lost part of the sharp gain of the preceding week, but our adjusted index based on the past 2 weeks rose to 73% of normal compared with 71% the preceding week.

The volume of check payments for December increased the usual amount compared with November. For the year 1931, these payments in the 131 cities outside of the 10 large financial centers declined 19.8% from 1930, and 31.3% from the peak year 1929. The total volume was the smallest since 1922, but exceeds this year by 3.5%. In the same period, wholesale prices declined 17.5% from 1930, 26.2% from 1929 and 26.4% from 1922.

Currency circulation declined during the week of Jan. 16, but since the drop was less than usual for the period, our adjusted index continues to rise to 45% above normal.

The decline in commercial loans was in line with the ordinary seasonal movement and was minimized by a slight decline in prices. Hence our adjusted index moved upward fractionally to 14% above normal.

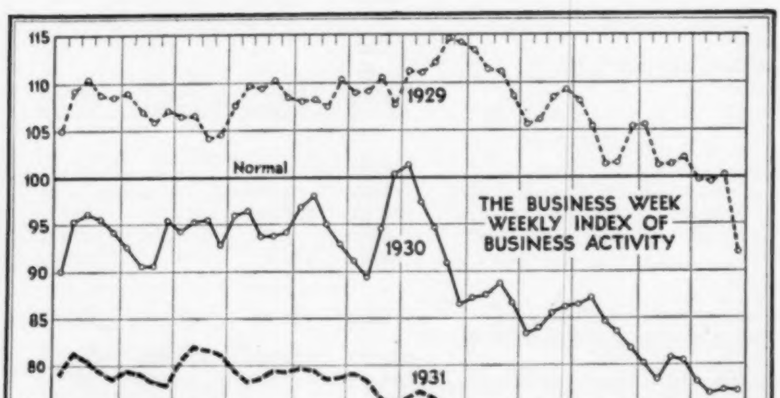
Wholesale Prices

The December report on wholesale prices confirms the steady downward drift of the weekly indexes. The average for the year 1931 now stands at 71.2% for the 1926 average, the lowest since 1915. December had the lowest index for any month since January, 1912. The new weekly index of the U. S. Department of Labor covering 784 commodities indicates that slight decreases continued through the period Jan. 9.

In the past few days, commodity prices have weakened again. The grain markets strengthened until Jan. 18, but thereafter became irregular. Cotton followed a similar course. The non-ferrous metal markets have been practically at a standstill. Copper is offered in some quarters at 7¼¢ a pound without attracting any volume buying. Zinc has fallen to the lowest levels since 1895. Lead and tin were steady. *Steel's* composite of iron and steel products rose 12¢.

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



Trends of the Markets In Money, Stocks, Bonds

The Federal Reserve did not carry through on **its indicated anti-deflation** policy, may **be saving its strength for** government **financing. . . . There were** several **disconcerting factors in the** monetary **system. . . . Stocks fluctuated** in a narrow **range, encountering resistance in either direction. . . . The** 2-week **bond rally halted, with issues** generally **having recovered from 20%** to 30% **of their losses since Aug. 1** last year.

Money Markets Still Under Heavy Strain

MONETARY developments were disconcerting this week in several details. Money still failed to return from circulation, the $4-million decrease being considerably subseasonal. Bank borrowings from the Reserve increased markedly outside New York City, indicating considerable strain at a time when borrowing should be decreasing. Contraction of credit went on at the same rapid rate of many weeks past. Another foreign run on the United States got under way (page 6). Europe appeared to take a definite step backward so far as progress toward solving her pressing financial difficulties is concerned. A huge rise in postal savings shown in December attests the popular state of mind.

Most striking of all, the Federal Reserve system remained entirely inactive, though its halting move of last week had given rise to the general belief that it had inaugurated a new policy. In view of the known feelings of officials of the system that deflation must be halted, the probable explanation is that the system is conserving its resources for the burden soon to be put on them by the Treasury's financing.

This belief is strengthened by the rate at which the system is withdrawing gold notes from circulation and putting its own notes in their place. Gold notes are backed dollar for dollar by gold; Federal Reserve notes need be backed by but 40% gold. Therefore the substitution permits gold to be stretched further.

In the money market little occurred. Rates were steady except for another reduction on acceptances on top of the one forced by the Federal Reserve last week. The Reserve did not follow the market downward in the new drop. Its holdings of bills declined considerably, partly because of this, and partly because very few new bills are being created. There is also a strong demand for bills throughout the market.

Brokers' loans dropped another $32 millions,—bringing the total to a new record low of $531 millions. This occurred despite the slight advance in stock prices during the period covered by the loan figures. A considerable rise in bank security loans direct to customers showed that the loans were not actually being paid off, but were being transferred from brokers to the banks.

While Europe discussed the setback in the postponement of the Lausanne conference, negotiations on the standstill agreement continued their weary way. The Reichsbank lost more gold and foreign exchange. The position of the Bank of England improved a bit by virtue of declining circulation. France continued to gain gold. Canada was forced to ship some gold to the United States despite its determination not to do so. Nearly $2 millions was received at Chicago.

See Favorable Stock Omen In Elasticity of Trading

AFTER a further show of strength, stock prices turned downward for several days, then began another rally Wednesday. Wall Street saw no close connection between the market's vacillation and the news of the week.

Considerable significance was attached to the trend in volume of transactions. This rose rapidly with the rise in prices, showing that many were anxious to get out at even slightly higher quotations. When prices turned

downward the volume of transactions dried up immediately. Such a resistance to declines was taken as a good omen technically. It could of course be overridden should any markedly unfavorable development occur.

In Wall Street, as elsewhere, the Reconstruction Finance Corporation and allied governmental attempts to stimulate business hold the center of attention. A favorable interpretation is put on them for the present, though the number of skeptics is not small. The railroad wage conference also is watched closely and there has been some concern felt over the hitches in these negotiations. Fingers are crossed regarding foreign affairs.

In net, prices changed very little for the week. Utilities continued to be the laggards among the chief market groups. Last week they shared in the rise to a limited extent; this week their decline of 1.9% net was larger than the 1% loss by the industrials and the 1.4% loss by the railroads shown according to the Dow Jones averages.

Bond Relief, So Far, Is Just Technical

BOND prices hesitated this week after their fortnight's show of strength. The factors that brought about and sustained the rally have for the most part exhausted their force. Most important ones were reinvestment demand and the lifting of the selling pressure caused by runs and liquidation.

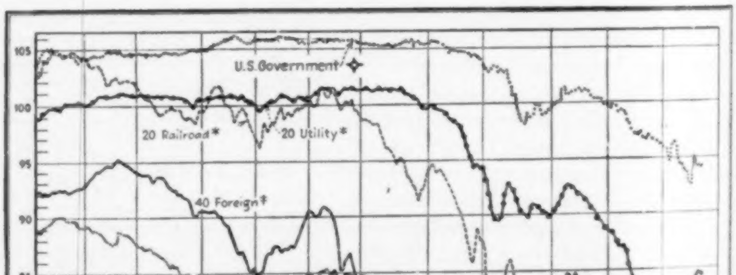
But cessttion of selling pressure, though it may stop a decline, and start a slight rally, is not sufficient to bring a long-continued improvement in price. It does not of itself strengthen the companies which issued the bonds, does not cause buying of bonds. All that has happened, then, is relief from technical conditions.

Selling pressure has been lifted by the slowing of bank runs, by the operation of the National Credit Corporation, and by the prospective work of the Reconstruction Finance Corporation and such state relief institutions as are being considered by New York and Massachusetts. The next test of these institutions is whether they cause an actual improvement in business and credit, which would bring bond buying.

Cities Get Help

More attempts are also being made to relieve the municipal bond situation. Conferences and a rush measure by the New York State legislature improved New York City's position. The Illinois legislature is trying to help Chicago. Baltimore was finally able to sell bonds and the $4.2 millions went in a hurry on a 4.75% yield basis. But several governments are still unable to get bids on bonds they offer.

Bond prices have recovered about 25% of the ground lost in the long slide downward which began in August and ended in December. The railroad group has done best, recovering 38% of the loss. Industrials have come back 30%, foreign bonds 22% and public utilities 20%.



Wide Reading

Two Financial Roads Leading Out of Depression. Ditlew M. Frederiksen. *Harvard Business Review*, January. A Federal Building Bank and a Federal Bank Credit Guarantee Corporation might be a tremendous boost toward renewed activity. Plans clearly outlined; results anticipated.

Reading to Find a Way Out. Helen E. Haines. *Publishers' Weekly*, Jan. 9. Trends in serious reading defined. Well-selected list of books in channels of current interest that have already proved their appeal to readers.

Has Frozen-Food Marketing Failed? Ralph G. Coburn. *Food Industries*, January. No. Some dealers fared badly in 1931, but others came out well. A discussion of "proper operation."

Field and Function of the Holding Company in the Power Industry. James C. Bonbright, William H. Hodge, John T. Flynn. *Annals of the American Academy of Political and Social Science*, January. An attack on, and a defense of, the holding company; its conflict with Sherman anti-trust law.

The Bankers of France. *Fortune*, January. Who they are, what they do, how they react.

I'm Signing Off. *Forum*, February. An anonymous radio announcer opens fire on the hokum in radio. Pertinent in view of the rumblings of dissatisfaction among the "great invisible audience."

Greater Participation of Governments in Public Construction. Charles F. Stephenson. *Commerce Reports*, Jan. 18. Housing construction on vast scale pushed in Austria, Germany, Britain. Standards worth studying by those behind the movement in the U. S.

BOOKS

The Full Fashioned Hosiery Worker: His Changing Economic Status. George W. Taylor. University of Pennsylvania Press, 237 pp., $3. Economic background of wage problem and collective bargaining agreements in full fashioned hosiery industry in recent years.

Directory of Directors in the City of New York, 1931-1932. Directory of Directors, New York, 1738 pp., $25. List of 46,000 directors, trustees and partners in Greater New York, with the various companies with which each is associated.

Ding Goes to Russia. Jay N. Darling. Whittlesey House, 195 pp., $2.50. Light, informal account of a brief visit to Russia. Dispels many popular fears of the "Soviet giant." The famous cartoonist talks common sense and furnishes his own breezy illustrations.

REPORTS—SURVEYS

Economic Conditions in Mexico. British Department of Overseas Trade. His Majesty's Stationery Office, London, 44 pp., 1s. 6d. Dated January 1931.

Economic Conditions in Brazil. British Department of Overseas Trade, His Majesty's Stationery Office, London, 110 pp., 3s, 6d. Data through December, 1930.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

January 27, 1932

Stick Out Your Neck

THE time has come for renewed business initiative in a united national effort to end the depression. If such initiative has any meaning, it means more now than at any time in the past two years. Brought to bear on a sufficient scale at this stage, it may easily turn the tide.

The usual seasonal stimulus to business will shortly be felt, and will make the effort easier. The Reconstruction Finance Corporation will be set up and operating in the next two weeks. That may be expected to clear the credit obstacles out of the path of recovery, remove the last alibi of the banks for not encouraging expansion of business activity. Through it, with support of a liberal policy promised by the Federal Reserve authorities, hoarded currency should be coaxed back to the banks, frozen resources released and funds made available for renewed enterprise everywhere.

Two things only are necessary to ensure the full effectiveness of these aids to recovery. First is the free and courageous cooperation of the commercial banks in carrying out the policy of credit expansion which is now encouraged by the Federal Reserve. That must be counted on, and may be left to their conscience. It entails some risk, but without risk on someone's part there can be no recovery, and without recovery no banking institution can be sure of its safety. The banks stand or fall with business.

But that alone is not enough. It will be of no use to give government support to the banks so that they may stand ready with increased liquid resources to lend aid to business, if business initiative in using these resources is lacking. Business men, too, must stake something on recovery. Every concern and every member of the community with liquid resources now idle must be willing to take the risk of putting them to work in order to put men to work. Great as this risk may seem at the moment, it is less than the risk of seeing them dissipated, confiscated or devalued by the inevitable consequences of further prolonged depression. The only thing that can ensure the safety of any savings or surplus, preserve the value of any investment, is the restored employment and purchasing power of idle workers. Government financial devices and Federal Reserve policies provide the framework for recovery; only increased employment can supply the flesh and blood of better business.

Municipal, state, and federal governments may have to retrench, but the more they do so the more their tax resources evaporate and the more imperative it becomes to compensate for fiscal economy by increasing private employment. The key to recovery, as well as the sole assurance of solvency, public and private, has become the restoration of normal buying. Buying of a little more materials, a little more modern machinery by business concerns is an important part of the picture, but it is far more important at the moment for everybody to buy a few more men's labor. That will ultimately lead to all the rest.

For these reasons the powerful, nation-wide appeal—and pressure—organized under the active leadership of the American Legion as described on another page of this issue, for the purpose of pledging business and the public to put men back to work, is worthy of the participation of everyone who has the power to cooperate and the patriotic courage to risk something on this play for the prosperity which it is perfectly possible for us to win back.

Coming at this crucial moment, it is not only evidence of sound statesmanship and constructive leadership on the part of the Legion. It is the most significant effort since the depression started and may prove the decisive factor in the future course of business if it receives the support it deserves.

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